Φ

Austria	Sch24	Iran	Rls218	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Peso40
Belgium	BFr65	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordon	JD1	Portugal	Esc165
Denmark	DKr13.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£2.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM9.50	Lebanon	L£600.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.850
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3160	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

EUROPEAN TV

UK loses its chance to play a leading role

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FT No. 31,274

Thursday October 11 1990

D 8523A

World News

Mitterrand under attack by French farmers

Protesting French farmers tried to smash through police barricades when President François Mitterrand arrived at Toulouse to open a new Airbus factory. Separately, 30 farmers occupied the Crédit Agricole bank in the central French town of Cosne d'Allier to protest against efforts to collect debts from a farmer. Page 18

Indian rail tragedy

At least 47 people burned to death when leftwingers set fire to a train near the south Indian city of Hyderabad.

Reform delayed

The trade ministers of the European Community yesterday postponed until next week a final decision on their negotiating position over farm reform. Page 4

Bulgarian plan

Bulgarian Prime Minister Andrei Lukanov presented a government programme based on recommendations by US consultants to liberalise the economy.

Drug haul

German police arrested two Colombians and a Venezuelan with a tonne of cocaine – enough to supply 10,000 addicts for a year – in Frankfurt.

Manila shootout

Philippines police killed 10 suspected members of criminal syndicates in two shootouts in the Manila area.

Border talks

Germany and Poland may open talks within days on a treaty confirming Poland's postwar borders, including large slices of pre-war German land, a Polish government source said.

Jamaica split

Divisions within Jamaica's opposition Labour Party widened with the sacking of five members of parliament who refused to sign a pledge of loyalty to party leader Edward Seaga. Page 4

UK-Argentina pact

Britain yesterday hailed "a return to normal business" with Argentina, eight years after the two fought over the Falkland Islands. Page 4

Turks attacked

A group of guerrillas believed to be Kurds killed six people in two separate attacks in eastern and south-eastern Turkey, the semi-official Anatolia news agency reported.

Korean concession

South Korea is considering major concessions, including the release of dissidents jailed for visiting the North Korean capital of Pyongyang. Student protest, Page 6

S African bus attack

Gunmen sprayed a bus with bullets in the troubled South African city of Durban, killing six blacks and wounding all the other 27 people on board, police said.

French strike

French dockers staged a 24-hour strike to support demands for better pay and working conditions.

Papandreou out

Former Greek prime minister Andreas Papandreou was released from hospital after treatment for heart and respiratory problems.

Bhutto setback

Pakistani police arrested businessman Asif Ali Zardari, husband of ousted prime minister Benazir Bhutto, for alleged extortion. Page 6

Pretoria frees 21

The South African government released 21 political prisoners under an agreement with the African National Congress aimed at advancing apartheid reform. Page 6

Business Summary

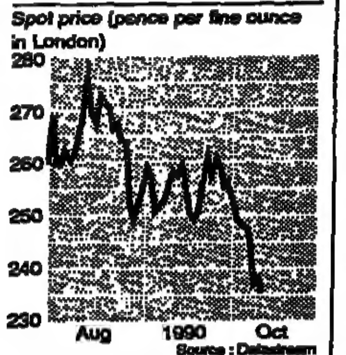
NatWest pulls out of bid for French bank

National Westminster Bank, UK clearing bank, has pulled out of its planned deal to buy Européenne de Banque, the upmarket banking subsidiary of Crédit Commercial de France. NatWest said there had been failure to agree on overall terms for a purchase, including price, but refused to make any further comment. Page 27; Lex, Page 26.

SILVER fell to the lowest level in nominal terms for 13 years on the London bullion market, falling 14 cents to close at 454 cents a troy ounce, a fall of 14 cents. At midday yesterday the nearby October silver futures contract on New York's Commodity Exchange (Comex)

Silver

Spot price (pence per fine ounce in London)



was only just holding above 450 cents an ounce. Commodities, Page 28

PLANS to liberalise the European Community's protected market in motor insurance went through the European Parliament despite opposition from many members. Page 3

AIR CANADA, Canadian airline, is to cut 13 per cent of its workforce, realign some international routes and sell its Montreal head office. Page 27

AMSTRAD, computer and consumer electronics group, announced a 43 per cent drop in pre-tax profits from £76.6m ($151m) to £43.7m for the year ended June 30 1990. Page 27; Lex, Page 26

SAKS Fifth Avenue, US department store chain bought by an Arab-led investment consortium from Britain's BAT Industries, said it was to cut 700 jobs, or about 7 per cent of its full-time workforce. Page 22

NEW YORK Stock Exchange is to help the Soviet Union train the experts it needs to set up a stock exchange under a co-operation accord finalised in Moscow. Page 27

OEMV, Austria's largest oil and chemical group, is to expand into neighbouring Hungary and the Yugoslav republic of Slovenia by opening retail outlets for its petroleum products. Page 21

US BUSINESS confidence fell to a 10-year low in the third quarter of 1990, according to a Conference Board survey of 1,000 chief executives. Page 26

COMPANHIA de Seguros Tranquilidade: Control of Portugal's fourth largest insurance company has reverted to its former owners, the Espirito Santo family, following the completion of its privatisation. Page 20

LONDON'S financial markets were more settled yesterday after fluctuating wildly since the government announced sterling was to join the European exchange rate mechanism. Page 18

MEAD, US pulp and paper company which also owns the Nexis electronic database, reported a sharp fall in third quarter earnings from $69.7m to $45.8m. Page 22

FABRYKA Samochodow Osobowych (FSO), Poland's biggest carmaker, is threatened with bankruptcy on the eve of a $1bn deal with Fiat. Page 2

$600m blow to relations with Islamabad follows fresh fears about nuclear programme

US halts aid to Pakistan after N-weapons inquiry

By **Lionel Barber** in Washington

THE US has halted foreign aid to Pakistan after congressional investigators unearthed fresh evidence of Pakistani efforts to develop nuclear weapons.

The suspension of about $600m in annual US economic and military assistance to Islamabad is a blow to relations between two long-time allies ahead of Pakistan's presidential elections on October 24.

Mr James Baker, US Secretary of State, told Mr Sahabzada Yaqub-Khan, the Pakistani foreign minister, in Washington this week that objections in the US Congress made further aid impossible unless Pakistan provided evidence that it did not possess an explosive nuclear device.

The Kahuta uranium facility in Pakistan

Under an amendment to the Foreign Assistance Act, the administration is banned from sending aid to Pakistan unless the president certifies annually that Pakistan does not possess "a nuclear explosive device" and that continuing US assistance will "reduce significantly the risk" of Pakistan developing such weapons.

It emerged yesterday that on the October 1 deadline, Mr Bush failed to make such a certification and assistance was automatically suspended.

In spite of Pakistani assurances that its nuclear programme is peaceful, the Washington Post reported yesterday that Pakistan had sought on three occasions this year to buy US-made, high-temperature furnaces which can be used for making nuclear weapons.

The furnaces were made by Consarc of New Jersey and were reportedly more advanced than similar pieces of equipment sought earlier by Iraq. This summer, US Customs officials halted Consarc shipments to Iraq at the docks because of their potential use in making nuclear weapons.

The Washington Post, quoting documents provided to administration officials and congressional investigators, said Pakistan had worked through its embassy in France and intermediaries in Switzerland and Canada to buy arc melting furnaces. In all cases, the requests were refused because of US and British restrictions on the sale of equipment to Pakistan which could be used in a nuclear weapons programme.

Although the administration was reluctant to change its position, congressional sentiment has been moving against Pakistan recently amid growing suspicions about its clandestine nuclear programme, which grew apace after India exploded a nuclear device in 1974. Experts in nuclear non-proliferation have accused Pakistan of reneging on promises to stop making bomb-grade uranium and of seeking to purchase nuclear weapons components in the 1980s.

Bhutto's husband charged, Page 6

1972: Pakistan initiates nuclear programme
1974: Indian nuclear test. Pakistan steps up moves to build uranium enrichment plant capable of producing weapons-grade uranium.
1975: Pakistan orders French plutonium processing plant.
1978: US pressure forces France to halt parts supply
1979: Carter Administration cuts off aid to Pakistan because of unsafeguarded nuclear facilities
1981-82: US accepts President Zia ul-Haq's promise not to pursue nuclear weapons. US gives Military aid of $3.2bn to Pakistan
1984: Pakistani national caught trying to export nuclear triggers from the US.
1984: Director of Pakistan's Kahuta uranium plant says enrichment process mastered. US queries China on reports that it gave nuclear bomb design to Pakistan. Pakistan promises not to enrich uranium to weapon grade.
1985: CIA says Pakistan has enriched uranium to above weapons grade and tested nuclear trigger.
1987: Congress agrees $4.02bn in aid to Pakistan
1989: Pakistan successfully tests long-range missile
1990: France agrees to sell nuclear power plant to Pakistan. China to ship it low-level uranium

UN struggles to word resolution censuring Israel

By **Robert Graham** in London

INTENSE diplomatic negotiations were under way yesterday at the United Nations to produce a Security Council resolution in terms acceptable to the US condemning the killing by Israeli police on Monday of 19 Arab demonstrators.

The Bush administration has let it be known it would back a condemnation of Israel and the sending of a UN team to investigate the killings. However, the US on Tuesday night refused to go along with the tough wording of a resolution put forward by the Palestine Liberation Organisation.

These differences were still being hammered out yesterday as strong international criticism continued against Israel for its handling of the demonstration that led to the worst incident of its kind since the Palestinian uprising began in the Occupied Territories three years ago.

The US has consistently sought to shield Israel, its closest ally in the Middle East, from UN criticism. However, in the wake of the killings at Islam's third holiest shrine in Jerusalem, the US has been obliged to placate its Arab allies now confronting Iraq's invasion of Kuwait.

Not since Israel's invasion of Lebanon in 1982 has the US found itself forced to be so publicly critical of the Israeli government.

In Israel yesterday, the right-wing coalition of Mr Yizhak Shamir bowed to international pressure and gave up its planned police inquiry into the killings.

Instead Mr Shamir ordered an independent three-member committee to take over, as Arabs continued to vent their anger in Israel and the Occupied Territories.

The investigation is to be led by reserve Major General Zvi Zamir, head of the Mossad secret service in 1968-74, Mr Yaacov Neeman, a prominent laywer, and Mr Chaim Kubersky, a former director of the Interior Ministry.

Clashes between protestors and police were reported in several Arab towns in Israel, while most of the Palestinian population of the West Bank and Gaza Strip, observing a second day of mourning, remained under curfew.

Two prominent Arab figures, Palestinian activist Faisal al-Husseini and Sheikh Mohammed Said Jamal, the deputy Moslem spiritual leader of Jerusalem, were remanded in custody on suspicion of having incited the riots which provoked the shooting.

However, the Israeli press criticised police handling of the events which began when Arab youths hurled stones at Jewish worshippers at the Western Wall. In spite of explicit warnings that Palestin-

Continued on Page 18
Bush censure for Israel, Page 6

Soviet Communists back land vote

By **Quentin Peel** in Moscow

THE ruling Central Committee of the Soviet Communist Party has backed plans for a national referendum on reintroducing private ownership of land, in the face of strong opposition from radical reformers.

The move, which could delay the full-scale launch of the programme for rapid transition to a market economy, comes as President Mikhail Gorbachev is already struggling to produce a compromise by next week for a single reform plan.

At the same time the party announced two moves to revive its plummeting popularity:

- to return to the state all buildings of historic and architectural importance currently occupied by party organisations; and,
- to contribute Rbs500m from party funds for the relief of victims of the Chernobyl nuclear disaster.

The party decisions coincided with an urgent appeal yesterday by radical deputies for the union parliament and the Russian parliament to co-ordinate their reform plans, and not to start two different programmes.

The Communist Party Central Committee, once the most powerful body in the land but now boasting more power to obstruct than to rebuild the Soviet system, came out firmly against private land ownership, according to Mr Vladimir Ivashko, the deputy general secretary to Mr Gorbachev.

However, the 401-strong body, meeting for the first time since it was elected in July, agreed to the proposal by Mr Gorbachev to call a referendum, and leave the issue for the people to decide.

The Soviet leader also managed to prevent the Central Committee from reaching any clear conclusion on which reform plan to follow, leaving himself some freedom for manoeuvre in the coming days.

He is, however, increasingly hemmed in between the radical demands of the Russian parliament and his own economic advisers, urging him to follow the 500-day plan for a crash transition to a market economy, and the conservative instincts of the Communist Party and his government, headed by Mr Nikolai Ryzhkov, wanting to go far more slowly.

There are growing doubts that he will be able to produce an agreed plan by October 15 when he has promised to report back to the Supreme Soviet.

The two economic strategies contain fundamental differences on price reform, compensation for wage earners and, perhaps most importantly, on the degree of austerity and restraint in state spending.

The 500-day plan requires drastic cuts in the government budget, to reduce a soaring deficit, and a virtual standstill on subsidies to lossmaking state enterprises, threatening widespread bankruptcies in industry and agriculture.

It also proposes much swifter liberalisation of prices than the government plan and less than total compensation for wage earners.

Continued on Page 18

Polly Peck chief may be replaced

By **Stephen Fidler**, Euromarkets Correspondent

A PLAN under which Mr Asil Nadir would be replaced as chairman of Polly Peck International has been drawn up by the company's bank creditors and shareholders.

The plan, of which the Bank of England has been informed, would allow Mr Nadir to continue as chief executive of the troubled British company.

The view has grown among Polly Peck's creditors and shareholders that Mr Nadir should step down as chairman as part of a plan to strengthen the company's management. Mr Nadir angered institutional shareholders with his abortive plan launched in August to take the firm private.

Although a short list of possible successors to Mr Nadir has been drawn up, the plan to replace him is understood not to have been finally decided.

The conglomerate, which is facing a severe liquidity crisis, has been given until tomorrow by its bank creditors to find about £200m ($394m) in funds to cover interest payments.

However, bankers said they were reasonably optimistic that Mr Nadir – who left London for Turkey last night in a last-ditch attempt to secure funds to satisfy creditors – would come up with some cash before the Friday deadline. He is understood to be thinking of asset disposals, particularly of some of his leisure interests in Turkey.

S-E-Banken takes 28% Skandia stake in deal worth SKr4.7bn

By **John Burton** in Stockholm

SKANDINAVISKA Enskilda Banken (S-E-Banken), Sweden's largest commercial bank group, yesterday announced that it would become the main shareholder in Skandia, the country's biggest private insurance company, in a SKr4.7bn ($831m) deal.

S-E-Banken will acquire its 28.2 per cent stake in Skandia from the company's two largest shareholders, the Wallenberg family investment companies Investor and Providentia, which have a 18.1 per cent stake, and the newspaper and investment company Marieberg, which has a 10.1 per cent interest. S-E-Banken already has a 1 per cent stake in Skandia.

The move by S-E-Banken, which yesterday reported a 13 per cent profit rise to SKr3.4bn for the first eight months of 1990, is linked to the expected abolition next year of ownership barriers between the country's banks and insurance companies.

It follows the SKr4.6bn bid two weeks ago by SPP, the public white-collar workers' insurance fund, for a 44 per cent voting interest in Gota, the parent company for Sweden's fourth largest commercial bank, in what was the first proposed bank-insurance consolidation.

Under the terms of yesterday's deal, S-E-Banken has the option, starting in mid-January 1991, to purchase the 21.6m Skandia shares held by Investor/Providentia and Marieberg at a price of SKr217.50 per share, a hefty 60 per cent increase over the current trading price.

Mr Bo Ramfors, S-E-Banken president, justified the price by explaining that it was marginally below the net asset value of Skandia. He added that the Skandia shares are trading now at an exceptionally low point following a 99 per cent drop in operating profits to SKr12m for the first eight months of 1990.

The offer by S-E-Banken, which is affiliated with the Wallenbergs, is particularly beneficial for the family at a time when its financial resources are becoming overstretched as it restructures its extensive industrial empire to defend against expected hostile foreign raids in the future.

Falling stock prices have recently weakened the family's financial strength. Marieberg, dominated by the Bonniers family and publishers of Sweden's leading morning and afternoon dailies, also needs capital to pay for a new newspaper printing plant.

The looming threat of foreign ownership was a key reason behind S-E-Banken's bid for Skandia, which Mr Ramfors described as a pre-emptive move. The deal has come as Sweden gradually dismantles its foreign ownership restrictions.

The combined asset base of S-E-Banken and Skandia amounts to SKr550bn, which "will strengthen our mutual market share in Scandinavia and provide a basis for expanded international activity, particularly in Europe, in such areas as trust asset management, investment banking and insurance", Mr Ramfors explained.

CONTENTS

Malaysian general election may force pace of political change

Opponents of Malaysian Prime Minister Dr Mahathir Mohamad expect him to win in the coming elections, but the seeds could be sown for a two-party system since the opposition can now plausibly offer an alternative

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MARKETS

STERLING
New York lunchtime:
$1.9685
London:
$1.9680 (1.9705)
DM3.0075 (3.005)
FFr10.0675 (10.06)
SFr2.5125 (2.5175)
Y255.75 (256.75)
£ Index 96.2 (96.1)

GOLD
New York: Comex Dec
$392.2 (394.00)
London:
$391.25 (396.00)

N SEA OIL (Argus)
November Brent
$40.10 (39.925)

Chief price changes yesterday: Page 2

DOLLAR
New York lunchtime:
DM1.5287
FFr5.1175
SFr1.2795
Y129.65
London:
DM1.528 (1.5255)
FFr5.115 (5.105)
SFr1.277 (same)
Y130.00 (130.30)
$ Index 60.8 (60.9)

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills: yield: 7.41%
Long Bond: $97\frac{1}{32}$
yield: 9.02%

STOCK INDICES
FT-SE 100:
2,121.8 (−12.3)
FT Ordinary:
1,628.7 (−13.8)
FT-A All-Share:
1,021.20 (−0.6%)
New York lunchtime:
DJ Ind. Av.
2,437.87 (−7.67)
S&P Comp
304.87 (−0.23)
Tokyo: Nikkei
Tokyo markets were closed yesterday

LONDON MONEY
3-month interbank:
closing $13\frac{11}{16}$% ($13\frac{23}{32}$)
Liffe long gilt future:
Dec $84\frac{19}{32}$ ($84\frac{5}{32}$)

Hungarian officials dither as economy faces collapse

By Nicholas Denton in Budapest

A BITTER struggle between key economic officials is paralysing Hungary's government, as the deadline approaches for action to stave off economic crisis next year. Opposition by cabinet conservatives to radical finance ministry proposals has already delayed an economic programme by nearly two months. A vague document has been released but the detail is still hotly debated.

High world market prices for its Soviet-supplied oil, which come into effect at the start of 1991, will add to the problems of collapsing Hungarian exports to other east European countries and this year's drought, threatening to plunge the economy intorecession. "On New Year's Eve we are going to lose 4 to 5 per cent of GDP overnight," said Mr Gyorgy Suranyi, President of the Hungarian National Bank.

The government has only a few weeks in which to agree on measures to avert "intolerable" current account and budget deficits in 1991 as a result of the shock, according to Mr Suranyi.

However, he added that clear differences between government economists meant that no decision had been made yet.

An internal government study, based on the optimistic assumption of an oil price of $20 a barrel, predicts that the current account will deteriorate from a healthy balance this year to a $1bn deficit the next, representing 2.5 per cent of GDP. The budget deficit in 1991 could grow from this year's target of Ft10bn (£85m) to Ft55 to 65bn, about $1bn. Estimates by academics of the 1991 deficit are nearly double those of the government.

Officials doubt whether the International Monetary Fund would countenance the relaxation of this year's tight targets to fully accommodate next year's shock.

Maintaining this year's performance would imply subsidy cuts, in turn boosting inflation from its current annual 27 per cent. Mr Suranyi said inflation could touch 40 to 50 per cent during the first quarter of 1991.

Accord with the IMF is essential, said Mr Suranyi, to avoid a repeat of this year's liquidity crisis. But "first we must reach agreement within the government, with parliament, and then with the IMF," he added.

The deadline is in four to five weeks, according to Mr Suranyi. By then the government needs to complete its budget package of 1991 subsidy cuts, the basis of a three-year programme for economic recovery. Upon that dependsa crucial three-year agreement with the IMF. "This is the first and last chance for the government," said Mr Suranyi.

Mr Suranyi and Mr Ferenc Rabar, the Finance Minister, argue strongly for what amounts to shock therapy for Hungary's economy. "A radical or a shock therapy is inevitable," Mr Suranyi said. But Mr Bela Kadar, Minister for International Economic Relations, leads the cautious wing of the cabinet in holding tight monetary and fiscal policy to be an ineffective way to direct a largely state-controlled economy; the state should play a more active role.

First electoral test for Greek conservatives' rigorous policies

By Kerin Hope in Athens

THE prospect of a winter marked by rigorous economic austerity may well have a stronger influence on Greek voters in Sunday's local elections than traditional party political rivalries.

The poll will be the first test for Mr Constantine Mitsotakis's conservative government, elected last April with a majority of one seat.

Since then, economic pressures have forced the government to disregard its insecure power base and push ahead with unpopular reform, aimed at trimming an inflation rate of 21.8 per cent a year and shrinking the $10bn public sector deficit to manageable proportions.

Three weeks of strikes in September disrupted business activity but failed to delay new legislation on pensions or the abolition of index-linked wage increases at the end of this year. The 1991 budget will include stringent measures to restrict public spending and cut down on tax evasion.

Mr Ioannis Palaiocrassas, the finance minister, yesterday gave a foretaste of what lies ahead by announcing tighter fiscal controls on self-employed professionals, small private companies and nightclub owners, who are considered the most flagrant tax offenders.

Mass dismissals of public sector employees have started, under a government decision to fire 60,000 temporary workers in order to cut the wage bill and boost productivity.

The reward for applying the strictest economic measures of any post-war Greek government is expected to come in the form of an Ecu2bn (£1.36bn) special loan from the European Community, to be spent on long overdue infrastructure projects.

The conservatives are well aware that the political cost of rescuing the economy would probably involve losing control of Greece's three largest cities, where half the population lives.

In a carefully calculated piece of damage limitation, leading personalities from Mr Mitsotakis's New Democracy party were excluded from running for mayor in Athens, Piraeus and Salonica.

The socialists and communists are running joint candidates in all three cities, although factional disputes meant that they came up with only one strong candidate, Ms Melina Mercouri, the actress and former socialist culture minister, who is running in Athens.

Her New Democracy opponent is another former socialist cabinet minister, Mr Antonis Tritsis, who quarrelled with the Panhellenic Socialist Movement last year and formed his own political party.

A likeable politician with a reputation for idealism, Mr Tritsis had ambitious plans for increasing green space and reducing traffic in Athens when he served as the socialists' environment minister.

His credibility has apparently not been affected by his readiness to run on a conservative ticket.

In fact, Mr Tritsis has been closing the gap that separates him from Ms Mercouri in the opinion polls, although she remains favourite.

Mitsotakis: first test

Bonn concern over Paris defence stance

By David Marsh in Bonn

THE Bonn government has expressed concern over France's refusal to discuss the establishment of multinational Nato forces in Germany in coming years.

Officials close to Chancellor Helmut Kohl say the French stance is hindering western efforts to put defence policy on to a new footing.

They say that Germany's support for changing Nato into a more political organisation should make it easier for France eventually to integrate its forces with the rest of the alliance.

However, so far the French government has shown "very little in the way of a new concept" to renew the basis of western military co-operation to take account of the unification of Germany, one official said.

Britain and the US have supported the idea of multinational forces as a way of keeping sizeable western contingents on German soil after the Soviet Union withdraws its troops completely from east Germany in 1994. Both the US and Britain are preparing troop withdrawals from west Germany, with the US announcing last month that 60,000 of its 250,000 forces in Germany will be pulled out during the next few years.

However, both countries have made clear their desire to keep some forces on German soil over the longer term. The Bonn government was accordingly displeased that President François Mitterrand confirmed at the Franco-German summit in Munich last month that France's 48,000 troops in southwest Germany were to be fully withdrawn in coming years.

Yet it was agreed at the summit that half the French forces would be pulled out in the next few years under a so far undefined timetable.

In spite of the new spirit of partnership with Moscow, the Bonn Chancellor's Office believes that the Soviet Union will remain a "risk" in military terms for Germany because of its 12,000 nuclear warheads and the country's internal political problems.

Officials say that the mutual non-aggression clause in the German-Soviet co-operation treaty, to be signed here when President Gorbachev comes to Germany next month, is meant as an "instrument" to reduce this risk, rather than to remove it altogether.

The French government has made no public criticism of the German-Soviet co-operation treaty. But it has privately indicated to the German authorities its surprise at the inclusion of the mutual non-aggression clause in the treaty, and it has made plain to the Soviet authorities that there could be no question of repeating such a clause in the Franco-Soviet co-operation treaty which has been under discussion.

● Article 3 of the German-Soviet treaty states that the two countries "will refrain from any threat or use of force which is directed against the territorial integrity or political independence of the other side."

It adds that, if either side should become the object of an attack, "the other side will not afford any military support or other assistance to the aggressor."

Germans to test novel truck fuel

By Leslie Colitt in Berlin

VEBA, the largest German energy concern, and vehicle makers Daimler-Benz and Volkswagen are to test the possibility of producing fuel from rape seed oil to power a new, low-pollution truck engine in east Germany.

Details of the project, financed by the German Technology Ministry, were disclosed by Mr Günther Krause, the German minister responsible for economic restructuring in former East Germany.

The plan was discussed at a meeting last Monday between Chancellor Helmut Kohl and leading German industrialists on reviving the ailing east German economy.

Veba said it would conduct trials with rape seed oil at the Schwedt oil refinery in east Germany, which Veba intends to take over. Rape oil will be added to diesel oil, in a one to four ratio, and the fuel will be tested in Mercedes and Volkswagen diesel engines.

If the trials are successful, and the price of crude oil remains high enough to justify the use of rape oil, full scale testing on a large number of vehicles will begin next year.

Mr Krause, who has taken a special interest in the project, said he envisaged that nearly 200,000 hectares of land in Mecklenburg, the northernmost of east Germany's five new Länder (states), could be planted every four years with rape seed to produce fuel. This would employ many east German farm workers threatened with losing their jobs.

The second part of the project involves the Elsbeth engine, developed by a west German engineer which runs on virtually any vegetable oil. "I want to see the first rape oil-powered engine produced in Nordhausen by 1992," said Mr Krause.

The engine plant in the eastern town of Nordhausen produces engines for trucks which are soon to be phased out. Thousands of jobs in Nordhausen and the former border region near west Germany could be saved, Mr Krause indicated, and the highly polluted environment in east Germany helped by the low emission engine.

A US bank is also said to be interested in the project as the Elsbeth engine is able to run on palm oil in Third World countries where a substitute for drug crops is being sought.

LEICA, the German camera manufacturer, said yesterday it was negotiating to co-operate with financially-troubled Pentacon, once east Germany's largest camera maker, AP-DJ reports from Frankfurt.

The Treuhand, the government agency charged with the privatisation of east German state-owned enterprises, last week ordered the closure of Pentacon's camera operations.

Leica said it was not interested in a takeover of Pentacon, but had considered enlisting Pentacon in the manufacture of selected lenses or in camera assembly.

Polish carmaker faces threat

FABRYKA Samochodow Osobowych (FSO), Poland's biggest carmaker, is threatened with bankruptcy on the eve of a $1bn deal with Fiat which would secure its future, Reuter reports.

FSO says that a price ruling against it by Poland's Anti-Monopoly Agency could force it to shut within days.

The agency accused FSO of exploiting its position as Poland's only manufacturer of saloon cars by unjustifiably raising prices in July when demand surged.

Last Friday, FSO refused to obey an order to reduce the prices of its ancient FSO 1500 and Polonez saloons to July levels, appealing to the courts and warning of serious economic consequences for Poland if it closes.

Closure would put nearly 25,000 people out of work, threaten 115,000 related jobs, cause tax losses to the state of zl 840bn (£47m), and cost Poland a $600m import bill to replace 90,000 cars a year it produces.

FSO's defiance is an unprecedented challenge to Poland's new free market officialdom. It faces fines of up to zl3bn zlotys.

Some people at FSO, alarmed by unexplained delays in concluding the Fiat deal, suspect the Italian company may be spinning out the negotiations. Fiat and FSO appeared close to a deal in February when they announced they had agreed to conduct a feasibility study on producing Fiat Tipo saloons. They said they expected to sign a contract in July or August.

Mr Henryk Oleniak, then FSO director-general, said in May the plan was for a $1bn joint venture producing 120,000 cars a year by 1994.

Mr Oleniak, who resigned last month partly because of delays in the Fiat deal, said the Italians were dragging their feet. "However, I am convinced this contract will be signed," he added.

Mr Nunzio Secolo, director of Fiat's Warsaw office, said the negotiations had been delayed by unexpected legal problems but he hoped to reach an agreement at the end of the year. Poland was a lynchpin in Fiat's east European strategy.

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EUROPEAN NEWS

Mediterranean nations affirm co-operation

By John Wyles in Rome

EUROPEAN and Arab Ministers from nine west Mediterranean countries yesterday launched a new exercise in regional co-operation, neatly side-stepping around their differences of view on the Gulf crisis and the Arab-Israel conflict.

At the conclusion of a day-long meeting in Rome, five countries from the southern side of the Mediterranean – Algeria, Morocco, Tunisia, Libya and Mauretania joined Italy, France, Spain and Portugal in affirming that their new co-operative arrangements would strengthen, but not be a substitute for, future European Community relations with the Maghreb and the Euro-Arab dialogue.

Their political discussions obviously centred on the Gulf crisis and the recent Arab deaths in Jerusalem. Both were able to condemn the latter and the Arab side appeared encouraged by what they see as France's recent acceptance of some linkage between the Gulf and the Arab Israel problem.

Paris this week suggested that preparations for an international conference on the Palestinian problem need not await an Iraqi withdrawal from Kuwait.

The nine plus Malta, which attended as an observer, also issued a strong statement of support for the Italian-Spanish proposal for a Conference on Security and Co-operation in the Mediterranean. Mr Gianni De Michelis, the Italian foreign minister, said afterwards that the conditions might be ripe to launch such as conference in the first half of next year.

The joint declaration they adopted yesterday provides for a wide-ranging co-operation from which nothing appears to be excluded.

The new relationship would have "a global character" said the declaration, whose elements would be politics, security, economics, cultural human environmental.

The nine will meet at a ministerial level once a year to review developments in their relations.

Economic priorities which have been identified include co-operation on production norms and certification systems, industrial relations and technological transfers as well as transport and food self-sufficiency.

On the social front, immigration looms large together with education and communications.

The project will begin with the creation of a Mediterranean Data Bank whose contents would have a particular emphasis on industrial and commercial information.

The sensitive immigration issue will first be approached through a study of "migratory questions" which will aim at encouraging mutually acceptable solutions on matters such as living conditions of immigrants in Europe, length of stay, freedom of movement and employment.

Italy, which will introduce immigration quotas for the first time next year, will have been comforted by a statement by Mr Sid Ahmed Ghozali, the Algerian foreign minister, that he was more interested in the conditions of life of emigrants to Europe than on controls on their entry.

Greece impounds Iraqi tankers

By Kerin Hope in Athens

TWO Iraqi supertankers berthed in Piraeus for repairs were impounded yesterday under a Greek court order against a $153m debt claim by two state-controlled Greek arms companies.

The tankers, the Al-Farahindi and the Jabour, belong to the Iraqi state tanker company. Repairs on both were suspended in early August, a few days after the Iraqi invasion of Kuwait.

Officials of Pyrkal, an ammunition manufacturer, claim that Iraq owes the company $65m for supplies delivered during the last two years of the Gulf war.

The Greek armaments industry, which also produces ammunition, filed a similar claim for $88m.

Iraq's overall trade debt to Greece is estimated at more than $220m, according to the Foreign Ministry.

In recent years, cordial Greek-Iraqi relations at government level were not affected by delays in Iraqi payments.

It was not clear how the court decision would affect prospects for the release of the 24 Greeks being held hostage in Iraq.

Although Greece sent a frigate last month to join the multinational force in the Gulf and Greek shipowners are complying with the trade embargo against Baghdad, the Iraqi ambassador to Athens is holding out hopes that the Greek hostages will soon be released.

The ambassador, Mr Abdel Fatah Al-Khazraji, gave assurances earlier this week that the Greeks had not been transferred to Iraqi military installations but were still being held in Baghdad hotels.

Strasbourg urged to reject car plan

By David Buchan in Strasbourg

SIGNS of a German backlash against the freeing of financial services emerged yesterday as the European Parliament geared up for action on car insurance.

Mr Willy Rothley, a German socialist, called on fellow MEPs to take the unusual step of rejecting, rather than just amending, a Commission plan to encourage cross-border insurance of car fleets ("large" risks), as distinct from individually-owned cars ("mass" risks).

Such rejection would kill the plan. To overturn a Parliamentary rejection requires a unanimity in the Council of Ministers which does not exist on this issue because of continued German opposition.

The Commission's logic has been that fleet owners are inherently better placed than the average private motorist to judge which foreign insurer to pick, and can thus be used as the spearhead for price liberalisation in car insurance.

But Mr Rothley, who has prepared a parliamentary report on the car insurance directive, said the distinction was untenable and "ultimately the consumer would lose out". Most accidents involved two or more parties, some of whom would be individuals who would feel vulnerable if they had to depend on compensation from foreign companies.

Recently Sir Leon Brittan, the commissioner responsible for financial services, said that all accident victims would be protected because his plan would require insurers dealing with "large" cross-border risks to respect all local requirements – legal and prudential – except price. He also signalled a bolder approach in which all large/mass risk distinctions would disappear in a general freeing of the insurance market.

Mr Rothley seized on this to suggest that the parliament should ditch any interim plan and await more radical proposals. Sir Leon's officials claimed yesterday that the German insurance sector was arguing the best against the good to delay any liberalisation.

Polish agents accused of running crime network

By Christopher Bobinski in Warsaw

SENIOR POLISH security officials have alleged that a former communist interior minister was involved in crime in western countries which brought in several million dollars. Last week Mr Miroslaw Milewski, the minister involved, and six other former officials, were arrested on corruption charges for offences committed between 1968 and 1971 in the operation codenamed "Iron".

According to Mr Andrzej Milczanowski, the new Solidarity-appointed head of the security service (UOP), Mr Milewski, then head of Poland's intelligence service, used a network to run fraudulent operations, as well as indulge in common crime in the west, smuggling the proceeds back to Poland.

At least 65 kilos of gold as well as jewellery and precious stones were amassed and with the help of Polish intelligence it was brought to back to Poland and divided up between security officials, Mr Milczanowski said.

Officials declined to say which countries the crime gangs operated in. "I can only volunteer that Vienna was not the main outfit," Mr Milczanowski said.

"Several businesses were opened in the West which gave high profits, mainly through re-insurance frauds. They were also involved in robberies and assaults," he added.

Mr Milczanowski also said the investigation would be pressed to the limit. "There are no taboos in this case and there are no limits for us as concerns the people involved," he said.

The affair first became known to the authorities in 1984 and gave grounds for General Wojciech Jaruzelski, the communist party leader, to dismiss Mr Milewski, reputed to be a political rival, from his party post. But Mr Milewski was not prosecuted at the time.

The timing of the legal action has given rise to suggestions that the government is seeking to prove it is being tough on Poland's former rulers, as the prime minister, Mr Tadeusz Mazowiecki, fights Mr Lech Walesa, the Solidarity leader, for the presidency.

Yesterday, however, Mr Krzysztof Kozlowski, the new Solidarity interior minister, denied the timing of the arrests had anything to do with the election campaign.

● The steering committee of the PSL, Poland's largest farmers' party, yesterday proposed Mr Roman Bartoszcze, their leader, as a presidential candidate. Given the degree of discontent in the countryside, with its 30 per cent of the population, Mr Bartoszcze could amass a sizeable vote, weakening the other two candidates and forcing the election on November 25 (in which the winner needs over half the vote) to a second ballot.

Albania drafts law for multiple candidates

A DRAFT election law under discussion in Albania would for the first time introduce multiple candidates for the 250 parliamentary seats, the Albanian state ATA news agency said yesterday.

However, under the new law, only candidates approved by Communist-sanctioned organisations and unions would be allowed to run, AP reports from Vienna.

The draft law was part of a package of modest reforms announced earlier this year by the Communist leader, Mr Ramiz Alia.

Since taking over from his late predecessor Mr Enver Hoxha in 1985, Mr Alia has been guiding the tiny Balkan nation slowly out of its self-imposed isolation.

Earlier this year, Tirana re-established diplomatic relations with the Soviet Union and in Washington on Tuesday, a state department official said there was a possibility that formal ties could be renewed before the end of the year.

Mr Alia's Communist government has formally sought membership in the Europe-wide forum, the Conference on Security and Co-operation in Europe, which it has shunned for the past 15 years.

The new draft law was discussed on Tuesday by the leadership of the Democratic Front, a Communist-run organisation which organises elections and represents trade unions and other official interest groups, the news agency reported.

The draft bill was presented by the head of the Democratic Front, Hoxha's widow, Mrs Nexhmije Hoxha.

The ruling Communist Party, the Democratic Front and various unions and interest groups will be able to nominate candidates, and there are to be at least two in each precinct, ATA said.

Voting, however, is to be conducted secretly.

The Democratic Front leadership discussed proposals for possible amendments to the draft but gave no details of what they were.

The law would have to be adopted by the Parliament to come into effect.

Power struggle inside French Socialist party erupts again

By Ian Davidson in Paris

Prime Minister Rocard

THE factional power struggle within France's governing Socialist party, which broke into the open at the party congress in March, has erupted anew this week with potentially damaging implications for Mr Michel Rocard, the Prime Minister.

The latest battle was over an apparently secondary issue, the election of a new leader for the Socialist group in the National Assembly. The vacancy was created by last week's government reshuffle, in which Mr Louis Mermaz was moved from the National Assembly to the Ministry of Agriculture.

At the start of the week, it seemed a foregone conclusion that the election would be won by a member of the traditionalist faction, led by Mr Lionel Jospin, the former party secretary and now education minister, against a candidate of the clan led by Mr Laurent Fabius, former prime minister and now speaker of the Assembly.

But in a surprise upset, yesterday's vote was won by the Fabius candidate, Mr Jean Auroux, a former labour minister, largely because of the support of the minority faction led by Mr Jean-Perre Chevènement, defence minister.

The vote was a direct reversal of the struggle at the party congress, in which Mr Fabius attempted to grab the party secretaryship with the overt support of President François Mitterrand but was defeated by a tacit alliance between Mr Jospin and Mr Rocard.

The alliance was tacit until this week because Mr Rocard was reluctant to exacerbate his uneasy relationship with Mr Mitterrand by advertising his opposition to the President's favourite son. But on Monday Mr Rocard alarmed his friends and angered his opponents by declaring that the congress implied "a restructuring around a new majority in the Socialist party", and predicting that it would tend to lead to a vote for Mr Jospin's candidate, Mr Henri Emmanuelli. His prediction has been disproved.

But in addition, some observers are speculating that Mr Rocard may have seriously damaged his position by too open a challenge to the president and his personal preferences.

Ian Davidson's column will now appear on alternate Mondays on the back page, starting next Monday

Soviets to tune into MTV

By Raymond Snoddy

MTV, the international television network yesterday completed its first deal with Gostelradio, the national Soviet television company.

From tomorrow MTV will provide a regular rock 'n' roll television programme for the Gostelradio's first channel available to 95 per cent of the country's population.

MTV said last night it was the first long-term agreement for a rock programme to be provided to the Soviet Union from the west. MTV said an hour's worth of MTV programming would be seen as part of the weekly youth programme Vzglyad (Glance).

AMERICAN NEWS

Mexican inflation edges upwards

By Richard Johns in Mexico City

MEXICAN inflation rose by another 1.4 per cent in September bringing the cumulative total for the first three-quarters of 1990 to 21 per cent, slightly ahead of the 20.9 per cent recorded for the whole of last year, according to Bank of Mexico.

It was the lowest single monthly increase so far this year continuing the trend which has been in evidence since June. Nevertheless, by the end of last month, inflation, at an annualised rate as measured by the official Consumer Price Index (CPI) had reached 28.6 per cent.

An increase of 3.7 per cent brought the cumulative rise for the year of the National Producer Price Index to 23.5 per cent. With a number of big wage settlements likely and the prospect of the usual inflationary surge in December, it is expected that the rate for the year as a whole will be at least 27 per cent.

The inflation estimated for the year as a whole in the Government's budgetary projections was 15.3 per cent.

Private sector organisations believe that the methodology used by the Bank of Mexico fully reflects inflation. For instance, the Mexican Association of Consumer Studies calculated a 2.7 per cent rise in the cost of the basic basket of goods last month.

By contrast, the central bank put it at only 0.9 per cent attributing a large part of the overall 1.4 per cent increase in the CPI to such items as private education, housing costs (including rents, electricity gas and telephone) and other services.

Bush backs into a tight political corner

Peter Riddell examines the fallout from the president's budget reversal

PRESIDENT George Bush is in serious political trouble. His sudden reversal about his willingness to accept higher top income tax rates in exchange for a capital gains tax cut may have helped to reduce the divisions within his own Republican Party. But it has made an agreed budget deal more difficult to achieve.

A confrontation between the Republican White House and the Democratic-led Congress in 10 days time looks more likely. The Federal government may shut down again. The best advice to tourists is stay away from Washington on the weekend of October 20-21.

Moreover, the whole episode has reinforced the image of Mr Bush's ineffectiveness and waivering over the past 10 days. Conservative commentators were scathing in yesterday's papers, drawing comparisons with former presidents Herbert Hoover and Jimmy Carter – talking of political ineptitude – and warning of the risk not only to his strategy in the Gulf crisis but also even to his re-election chances in 1992.

Mr Bush has always looked a better manager, working with other heads of government, than a leader. He admitted on Tuesday that he preferred dealing with foreign policy than domestic issues.

As the Washington joke goes, as a president George Bush is an excellent secretary of state.

Mr Bush's personal authority has been undermined by the embarassing failure of his nationally televised appeal 10 days ago to rally support for the original budget package. Now he has alternated between sounding tough, threatening vetoes, and being conciliatory to the Democratic run Congress.

At his press conference on Tuesday morning, he said it would be fine if a "proper balance" could be worked out between the capital gains rate and income tax changes.

That was the green light for the Democratic chairmen of the main tax-writing committees to bring forward such proposals.

But by early evening, after Mr Bush met 17 Republican senators, Senator Bob Packwood, the senior Republican on the Senate Finance Committee, announced there was no deal. "We will leave the (income tax) rates where they are, drop capital gains, do nothing about the rates – and the president agreed to that."

This was no firebrand group of tax-cutting young House Republicans but the very heart of the Senate Republican establishment who changed Mr Bush's stand – and left him looking weak and indecisive.

It reflected a debate among his advisers between those urging him to work out a new deal with congressional Democrats and those wanting minimal changes from the original package.

The immediate initiative now lies with Senator Lloyd Bentsen and Congressman Dan Rostenkowski, the Democratic chairmen of the Senate Finance and House Ways and Means committees. Just before Mr Bush's policy reversal, the senator's staff had unveiled a package which included a cut in capital gains tax geared to the length of time an asset is held.

This was balanced by the elimination of the tax "bubble", under which the wealthiest Americans pay a top marginal rate of 28 per cent, while upper middle income payers face a 33 per cent rate. For those who can exploit tax deductions, the minimum tax rate would be raised from 21 to 25 per cent.

Overall, this would leave a top effective capital gains tax of around 24 per cent, compared with the present 28/33 per cent. Raising income tax rates would generate $50bn in additional revenue over five years, while the lower capital gains tax would mean $9.8bn less in revenue. However, these estimates are disputed by many conservatives who argue that a cut in the gains tax would increase revenue, and the proposed cut is not large enough to satisfy the White House.

Senator George Mitchell, the Democratic majority leader, said that "In view of the apparent reversal of the position by the president, we will now have to reconsider what the appropriate course will be."

The Democrats' proposals risk a clash with the White House. Senator Bentsen's draft plan not only proposes changes in the original budget accepted by the administration, such as scaling back the savings on Medicare health provision for the elderly and dropping the proposed increase in home heating oil tax, but goes further.

For instance, it recommends abandoning $12bn worth of tax incentives for small businesses, regarded by the Democrats as tax shelters, but which Mr Bush has said must be included.

The House Ways and Means committee was meeting yesterday to prepare its package. Until yesterday there had been signs that Mr Rostenkowski might suggest indexing the capital gains tax for inflation.


Bush: a sudden change

The deadline for the committees' producing their detailed plans is the end of this week with final Congressional approval by October 19. This tight timetable has been made more uncertain by Mr Bush's abrupt change of heart.

'Business as usual' for Argentina and Britain

By John Barham in Buenos Aires

BRITAIN yesterday hailed "a return to normal business" with Argentina, eight years after the two countries fought over the Falkland Islands.

Mr Tristan Garel-Jones, a foreign office minister on an official visit to Buenos Aires, said President Carlos Menem's commitment to a market economy and Argentina's participation in the Gulf force indicated the country had joined the mainstream of world affairs.

Argentina still presses a claim to the Falkland Islands, but Mr Garel-Jones, the first British minister to visit Argentina since 1981, said both sides had "agreed to differ" on the issue.

He stressed that Argentina and Britain agreed entirely on general points. "We are in total agreement that the approach based on a social market economy is right."

Mr Garel-Jones said Argentina's decision to send a token naval force to the Gulf "is as significant in Latin American terms as the collapse of the Berlin wall, and this is the first reaction of consequence by a Latin American country to the new world order".

The minister was told that Buenos Aires had suspended all shipments of Condor intermediate missiles to Iraq. Argentina was developing the missiles with Iraq, Germany and Egypt.

Buenos Aires has backed British proposals for a new Antarctic treaty, and intends to reach rapid agreement on conservation of fish stocks in the south Atlantic.

Britain also supports demands by Argentina and other grain exporting nations that the EC reduce its huge agricultural subsidies, which have depressed world grain prices.

Despite the upbeat tone of relations between two former enemies, Mr Garel-Jones criticised Argentina's refusal to make more than token interest payments on its $60bn (£30.4bn) foreign debt.

In June Argentina began paying foreign commercial bank creditors $40m a month.

Falkland fishing talks, Page 36

Peru seeks to bolster financial credibility

By Sally Bowen in Lima

PERU IS on the road to re-establishing its financial credibility, according to Mr Juan Carlos Hurtado Miller, prime minister and minister of the economy.

Negotiations for a $2bn (£1.01bn) bridging credit – needed to bring Peru up to date with its multilateral debt arrears – had begun, he said, although the money was not yet secured, as had been announced last week.

Mr Hurtado Miller said in a television address on Tuesday that the Andean Reserve Fund, which provides finance for member countries of the Andean Pact, would lend Peru $370m. Another $450m would come from the International Monetary Fund, and Peru also hoped for about $1.2bn from a support group of friendly countries, including the US, Japan, Spain, Germany, France, Canada and Italy.

Commercial banks would be invited for debt discussions in March 1991, he said. This would be after January meetings with the Paris Club and negotiations in February with Peru's non-Paris Club creditors, principally Latin American and socialist bloc countries.

Peru would seek refinancing for its Paris Club debts, while it hoped for new funding for development projects from the second group of countries.

The thrust of Mr Hurtado Miller's message was that Peru was constructing a "new path with no economic deficit and no monetary emission not backed by reserves".

The government's immediate programme included reduction of inflation, elimination of relative price distortions, "controlled flotation" of the inti to its true levels relative to the US dollar, modification of the tariff system with the goal of a single unified rate within two years, wide-ranging tax reform, and the restructuring of customs, ports and airports to increase Peru's international competitiveness.

Mr Hurtado Miller was speaking on his return from Washington, where he attended the IMF-World Bank annual meetings. He said the meetings had allowed him to explain the country's economic objectives to multilateral creditors.

Jamaican opposition party dismisses MPs

By Canute James in Kingston

A DISPUTE within the opposition Jamaica Labour Party has widened with the sacking of five MPs from their shadow portfolios.

The five MPs have also been barred by Mr Edward Seaga, party leader, from standing on the party's ticket in the next general election.

The row threatens to split the party and has raised questions about its future under the leadership of Mr Seaga, who was Jamaica's prime minister between 1980 and 1989.

The dismissed MPs, dubbed the "gang of five," had been critical of Mr Seaga's leadership style, suggesting he was too authoritarian. They had refused to sign documents pledging their loyalty to him.

The party has suffered heavy losses in municipal elections and in February last year lost a general election to the People's National Party, led by Mr Michael Manley, the current prime minister.

Mr Pearnel Charles, a former deputy leader of the Labour Party and widely held to be the leader of the dissident five, said he and his colleagues would not be forming a new party, and would not join the PNP. In a clear challenge to Mr Seaga's leadership, Mr Charles said splits in the Labour Party could not be healed by Mr Seaga. "I am offering myself to do it," he said.

The sacking of the five from their shadow portfolios coincided with the dismissal by Mr Seaga of Mrs Joan Gordon-Webley, the party's spokesman for women's affairs, from her post as executive secretary of the Caribbean Democrat Union. This is a regional federation of conservative parties which has Mr Seaga as chairman.

Mrs Gordon-Webley said Mr Seaga had a "craving for power" and would not tolerate anyone who disagreed with him. She said she expected soon to be stripped of her shadow portfolio and barred from contesting the next general election for the Labour Party.

Brazil's gold miners face new government offensive

BRAZILIAN police yesterday began a new offensive against the illegal gold miners alleged to be responsible for the deaths of 15 per cent of the threatened Yanomami Indians over the past three years, Simon Fisher writes from Rio de Janeiro.

Journalists were taken to witness the destruction of illegal airstrips in the Amazon territory of the Yanomami in Roraima state, amid fanfare reminiscent of the first offensive six months ago.

Meanwhile, in debt talks with commercial banks which opened in New York yesterday, the government was expected to include for the first time "debt-for-nature" swap proposals, to exchange part of the country's debt for guarantees of environmental protection.

But many activists are sceptical of the government's efforts to win the high ground in the ecological debate.

Of an estimated 120 airstrips carved out of the jungle, only 18 were destroyed last April. Several of these were subsequently repaired. The government says this time trees will be planted in the clearings to prevent recovery.

The latest action was delayed for several months in the run-up to elections for state governors, held last week. All the candidates in Roraima state support the illegal prospectors.

On Monday the environment protection agency Ibama fined three companies a record $4.5m for illegal logging and clearing operations in Amazonia.

Also Monday, Science and Technology secretary, Mr Jose Goldemberg told delegates at the 'Forest 90' environment conference in Manaus, that Brazil will conduct a comprehensive survey of Amazonia to map economic and ecological priorities for the region in preparation for the 1992 UN World Environment Conference in Rio de Janeiro.

WORLD TRADE NEWS

EC trade ministers delay decision on farm reform

By Tim Dickson in Luxembourg

THE TRADE ministers of the European Community yesterday postponed until next week a final decision on their negotiating position over farm reform.

At the end of a three-hour meeting in Luxembourg originally intended to endorse the EC's negotiating position for the Uruguay Round of the General Agreement on Tariffs and Trade, the trade ministers of the 12 effectively ducked the issue. They thus reflected the paralysis which has gripped the European Community over this issue.

Most member states appeared to back the strong reservations expressed in Luxembourg on Monday by EC farm ministers over the European Commission's controversial proposal to cut farm subsidies by 30 per cent. The tone of the discussion was, not surprisingly, somewhat more subdued yesterday but there was no attempt to go over the heads of the Farm Council after the latter's pointed decision to adjourn until next Monday, pending clarification of certain technical details.

It was unclear last night whether the behaviour of both sets of ministers is tactical - designed to underline the pain which they believe the proposed cuts will involve and perhaps to provoke the US into making the next move – or whether there is any serious prospect of the EC package on agriculture as it now stands being modified in Brussels over the next few days.


Andriesson: reviewing all sectors

A spokesman for Mr Raymond MacSharry, the EC agriculture commissioner, yesterday insisted that there would be no changes but he confirmed recent mutterings that unspecified "accompanying measures" would be brought forward by the Commission in November and December in the context of the routine annual farm price negotiations.

Significantly, this theme was picked at a press conference after the meeting by Mr Renato Ruggiero, the Italian president of the EC Council of Ministers.

"We are faced with a difficult problem", he said, "and that is how can we guarantee what seems an absolute objective to provide reasonable support for farm incomes and maintain people in the countryside and at the same time meet the EC's obligations in regard to international trade. This is developing more and more along market lines."

A more short-term question – which Mr Ruggiero refused to answer – is how will trade ministers react at their special meeting next Thursday if the Farm Council continues its apparently obstructive stand early next week.

"I am only going to put on a bandage when I have wounded myself," was the Italian trade minister's cryptic comment.

Besides the ritualistic hand-wringing about the urgency and desirablity of reaching a Gatt settlement on all issues, including agriculture – familiar and predictable sentiments from EC trade ministers – the only slight softening of position was detected in the observations of Bonn's economics minister, Mr Helmut Haussmann. His emphasis on the need for a successful Uruguay Round – especially so in view of the Gulf crisis and the deteriorating international economic situation – was in contrast to the impassioned defence of German agricultural interests given by Mr Ignaz Kiechle, the German farm minister, on Monday.

The French position, in favour of high farm subsidies, was just as strongly expressed yesterday as earlier in the week – while most of the Mediterranean countries continued to bemoan the inclusion of "southern" products in the Brussels proposal.

Only Britain, Denmark and the Netherlands supported the Commission at this stage, with Mr Piet Bukman, the Dutch farm minister pointing out that a 30 per cent cut in EC farm supports was the minimum needed for Uruguay Round success.

Commission officials were relieved yesterday that the focus had switched away from the battle over the level of farm subsidies between Mr MacSharry and Mr Frans Andriessen, the EC's external relations commissioner.

The latter, however – in a review of all the sectors being covered in the Round – was intent on emphasising that agriculture, while it has become a major issue, accounts for a mere 13 per cent of world trade and only 5 per cent of EC exports.

AUSTRALIA ATTACKS BRUSSELS APPROACH AS 'FARCICAL'

Australia has described as "farcical" the European Community's contribution to international negotiations on farm-product supports, AP-DJ reports from Canberra.

Mr Neal Blewett, minister for trade negotiations, also described an offer that Japan is making at the General Agreement on Tariffs and Trade talks as "disappointing". But he said in the Australian parliament yesterday that the US would soon make a "substantial" offer.

"I have got to say that the performance being played out by the European Community farm ministers is rather reminiscent of a French farce," Mr Blewett said. He said these ministers were trying to convince Australia and other nations that they (the ministers) were being asked to give away so much in the negotiations to cut subsidies. But a proposal they rejected this week was similar to one they made a few months ago, and lacked action against export subsidies. Europe should "stop the play acting and work out a proposal that embraces genuine reform.

"Similarly, the offer now being made by Japan is disappointing," Mr Blewett added. He described that offer as "modest" and lacking a real commitment to trade liberalisation. "On the other hand, the US is expected to table a very generous offer in the next few days." This could include cuts of around 70 per cent in domestic support and larger cuts in export subsidies over 10 years.

Australia and its partners in the 14-member Cairns group of farm exporting countries are developing their proposal to be made at the Uruguay Round negotiations.

US senators hint at tighter rules on sales to overseas groups

By Nancy Dunne in Washington

ANGRY senators yesterday cross-examined Bush administration officials about the procedures employed to approve foreign acquisitions which may jeopardise national security. They suggested Congress might move to tighten the rules.

At issue was the approval by President George Bush of the pending acquisition by Nippon Sanso of Japan of Semi-Gas Systems, a California-based division of the Hercules Group. Semi-Gas produces gas delivery and purification systems used in making semiconductors and it is a key supplier of Sematech, the US government-backed research and development consortium.

Senator Al Gore, chairman of the commerce sub-committee, charged the Treasury-led Committee on Foreign Investment (Cfius), an inter-agency committee, with employing little technical analysis of the sale's impact; of not allowing agencies to conduct on-site visits to Semi-Gas or Sematech, and of failing to consider the cumulative effects of such sales on the nation's industrial base.

Senator Gore said the need for foreign financing of the US budget deficit had rendered the Administration "obsequious" in its dealings with Japan.

Mr John Niehuss, senior deputy assistant Treasury secretary, said the Exon-Florio rule authorising the President to prevent foreign acquisition requires only "credible evidence that a foreign entity might take an action that is a threat to the national security". It is not, he said, "intended to be used as an instrument of industrial policy."

Mr Peter Mills, the chief administrative officer of Sematech, argued that the current Cfius process was inadequate and the definition of national security too narrow.

Senator Gore is considering introduce in the Senate legislation similar to that before the House which would force the inter-agency committee to consider the effects of a foreign acquisition on the US industrial and technological base. Opponents of the proposal say it would require government approval of all sales of manufacturing or high technology companies.

The sale of Semi-Gas is being investigated by the Justice Department for its anti-trust implications. Cfius cleared the sale after determining that other companies could supply the needs of Sematech and that the consortium's trade secrets learned by Semi-Gas employees could be protected by a confidentiality agreement.

Austrian banks tread warily in their own backyard

Caution and selectivity characterise lending to eastern European neighbours, reports Judy Dempsey

AUSTRIA'S banks will adopt a two-pronged policy of caution and differentiation in trading with eastern Europe, despite the sweeping changes which have taken place over the past year and despite Austria's close geographical and historical links with the region.

This is the message from Creditanstalt, Girozentrale and Laenderbank, the country's three largest banks, as they consider how they can benefit from this largely untapped market.

The caution partly stems from the substantial debts owed to Austria by several eastern European countries. According to data drawn up by the Austrian Institute for Economic Research, by the end of 1989, eastern Europe was indebted to Austria to the tune of Sch200bn ($15.1bn).

The debts are divided into two categories – privately financed loans by Austrian banks total Sch87bn, and the current liability of the Oesterreichische Kontrollbank, which handles state-guaranteed export loans granted to Austrian companies, totalled Sch107bn.

These debts have affected overall exports from Austria to the region. Austria's share of exports fell from 12.1 per cent in 1980 to 9 per cent in 1989.

But while there is considerable scepticism that these debts will be paid back, or else converted into debt-to-equity swaps, bankers and exporters appear determined to continue investing in the region, but with increasing differentiation about the product and the country.

Mr Erhard Fürst, head of the economics department at Creditanstalt, reckons that the obvious markets for Austrian companies lie in the construction and tourism sectors.

E. EUROPEAN DEBTS TO AUSTRIA (Sch bn)

Country	Amount Owed
Poland	48
+bank loans	34.5
Soviet Union	46.4
Germany (east)	26.8
Hungary	19.5
Bulgaria	13.5
Czechoslovakia	13.5
Romania	nil
Yugoslavia	10.5

"These are low risk investments but at the same time they will contribute to the infrastructure of the region," he said.

The bank, which had one of the largest branch networks in eastern Europe in the period between the two world wars, is rediscovering its roots. It now has offices in Moscow, Berlin, Prague and Budapest, a trend followed by the other large banks, particularly Girozentrale.

The banks will also promote the financing and acquisition of projects, including joint ventures.

For example, Soviet–Austrian trade is stagnating – it has been growing by no more than 4.3 per cent since the end of 1989 – but joint ventures continue to increase. By the end of June over 130 joint ventures had been set up, consisting largely of hotel construction companies, services enterprises and computer industries.

But in terms of confidence in the pace of the economic reforms taking place in eastern Europe, bankers are adopting a clear order of preference.

Hungary remains number one on the list, but Austrian banks are divided about Czechoslovakia. Although Creditanstalt and Girozentrale wax lyrical about the age-old entrepreneurial spirit of the Czechs, bankers are disappointed about the slow pace of change in the legal and other institutional structures which could facilitate a much faster inflow of foreign capital.

Between June 1989 and June 1990, exports to Hungary grew by 21.4 per cent and to Czechoslovakia by over 74.6 per cent. The latter figure is not surprising, given Austria's low level of exports before last year's revolution which toppled the communists from power.

However, trade with Poland, which owes Austria a total of Sch48bn, has fallen by 41.9 per cent over the same period. "In Poland, as before, we will continue to look at project financing," explained Mr Anton Burghardt, head of Girozentrale's international division.

But it is not only the pace of economic reforms which influence Austrian enterprises and bankers. One of the overriding concerns is stability. The trade figures spread over the year from June 1989 speak for themselves.

For example, exports to the Soviet Union have fallen by 10.1 per cent; and by 25.2 per cent to Bulgaria, which is hardly surprising given Bulgaria's moratorium on all debt repayments on both interest and principal which total $10.6bn.

Exports to Romania have sharply risen by 72.2 per cent, "but we are coming from almost a zero base," explains Mr Fürst.

Despite the caution and differentiation, Austrian bankers and enterprises remain optimistic. They see themselves well-placed for short- and medium-term investments, and with growing co-operation from other western banks and enterprises which still regard Vienna as a useful conduit to eastern Europe.

US deal signals Turkey's frustration with EC

By John Murray Brown in Ankara

TURKEY'S proposal to establish a free trade zone with the US is the lastest indication of its disappointment at the European Community's decision last December to shelve its application for full Community membership.

A Black Sea trade zone, a Balkan bloc, even a trade pact with the European Free Trade Association (Efta) have all been mooted in Ankara.

But the timing of the latest proposal, unveiled by President Turgut Ozal in the US last week, has puzzled Community officials.

Mr Temel Iskit, head of EC affairs at the Turkish foreign ministry, insists the US deal is not an alternative to EC membership. He says it would be an interim measure while talks continued with Brussels on possible customs union.

Recently, Turkey's relations with the Community have improved, thanks largely to Ankara's strong support of the UN embargo in the Gulf crisis.

Some problems over Turkey's unilateral introduction of tariff cuts have been ironed out. In theory, the new tariffs contravened the EC agreement, as they applied across the board to all imports and therefore provided the Community with no preference.

However, trade preferences offered to the US would technically be incompatible with any EC customs union.

China warned of limits to influence over Hong Kong

By John Elliott in Hong Kong

SIR David Wilson, governor of Hong Kong, yesterday warned China that it could not have a veto over government decisions during the run-up to 1997 when it resumes sovereignty over the British colony. But he was prepared for increased exchanges of information.

This warning comes at a time when China has been trying without success to have a say on Hong Kong's plans to build a new international airport, which Sir David said would cost $38bn (£19.2bn) at present-day prices

Hong Kong is acting as host to a delegation from Peking next week. The two sides will discuss the plans and other infrastructure projects, now costed at a total of HK$138bn (£9bn) at current prices. Sir David's remarks underline Hong Kong's determination not to allow China to make it change the siting or size of the projects.

The governor was delivering his annual address to the Legislative Council. It was considerably more down-beat than his speech last year when he announced the infrastructure projects, then budgeted at HK$127bn, as a morale boosting exercise.

He warned yesterday that Hong Kong faced a "harsher economic environment" in which it would be "much tougher" to maintain its share of world trade. The Gulf crisis would hit economic growth figures, which were already well below forecasts.

The growth in gross domestic product this year is now forecast to be 2.5 per cent, the same as last year, compared with original estimates of 6 per cent.

In 1986-87, the economy was growing at approximately 13 per cent a year. Inflation is expected to average 9.5 per cent this year.

Sir David emphasised that the airport and other projects were within the "financial capacity" of Hong Kong which has budgetary reserves exceeding HK$70bn.

They were "essential" for the colony's prosperity and the cost would be partly offset by HK$40bn raised from consequential sales of government land.

NEWS IN BRIEF

British hostages may be freed soon, says Keenan

MR Brian Keenan, the recently released Irish hostage, yesterday forecast that Britons held captive in the Lebanon stood a good chance of being freed very soon, David Buchan writes from Strasbourg.

Speaking at the European Parliament where he had been brought by Irish MEPs, Mr Keenan said: "I have a feeling that one [hostage] might be released very soon – much sooner than I would have said two weeks ago." He said he based his optimism on certain new information.

But Mr Keenan cautioned that, despite renewed diplomatic ties between the UK and Iran, the outcome was still very uncertain. "Men have been given shirt, trousers and a tie, and walked to the door and the door has not opened," he said.

Kuwait Airways resuming flights

Kuwait Airways announced yesterday that it is resuming regular commercial flights next week with eight aircraft which were outside their home base during the Iraqi invasion on August 2, AP-DJ reports from Cairo.

Now relocated in the Egyptian capital, the airline is also said to be demanding compensation of $690m (£350.2m) from Lloyd's for 15 aircraft which have now been impounded by Iraq.

In addition, Kuwait Airways is asking Lloyds's for $150m to compensate for spare parts which the Iraqis allegedly stole, including parts for Boeing 747s and Airbus A-300s.

Police storm Seoul university

Riot police firing volleys of tear gas shells stormed into the campus of Korea University yesterday, triggering clashes with students around school buildings, AP-DJ reports from Seoul.

Vicious fighting erupted after about 1,000 riot police moved in to block students from showing a North Korean film. Groups of students rushed out of buildings with firebombs and clubs and fought police across the campus.

Near the residence of President Roh Tae Woo, police arrested about 50 dissidents who were marching to the military intelligence headquarters shouting "Down with Roh Tae Woo".

New Zealand jobless up

New Zealand's unemployment rate rose to 7.9 per cent in August from 7.3 per cent in July, the Department of Statistics said yesterday, AP-DJ reports from Wellington. According to the department's monthly household survey of the labour force, the number of persons unemployed rose to 126,300 in August from 115,000 in July.

The rise in the unemployment rate is bad news for the ruling Labour Party government, which is trailing the opposition National Party by a wide margin in opinion polls, with the October 27 general election looming.

Election may force the pace of reform in Malaysia

Mahathir Mohamad is expected to stay in power but change is on the way, Lim Siong Hoon writes

THE EIGHTH Malaysian general election was announced last week but the campaign has been going on for the past year.

Dr Mahathir Mohamad, the prime minister, is frequently seen on television touring the remote areas, handing out bicycles, fishing gear and outboard motors. Sometimes he plays the role of a street food vendor.

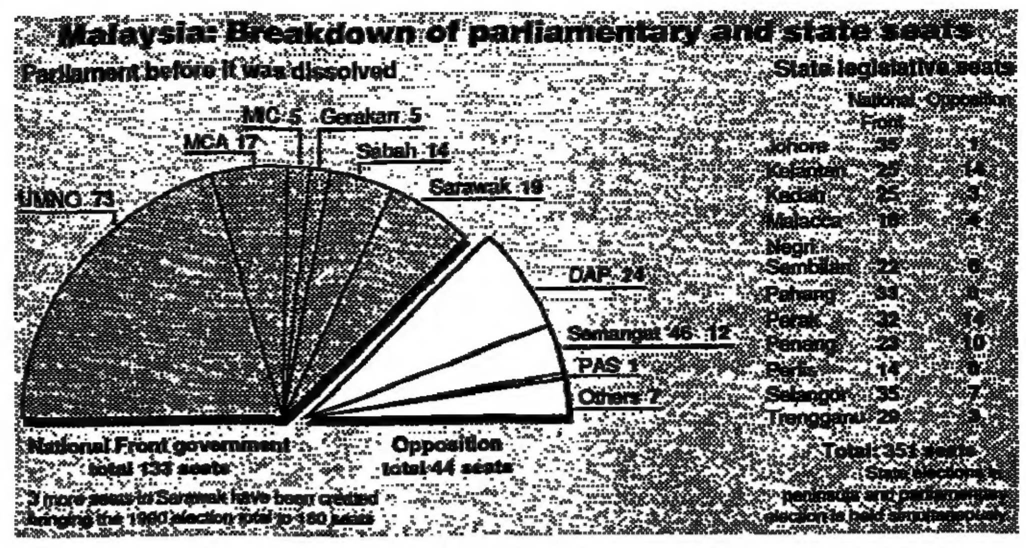
The campaign by his arch-rival, Tengku Razaleigh Hamzah, a former member of Dr Mahathir's cabinet and party – the United Malays National Organisation (Umno) – looks subdued without government media support. He moves from village to village relying on small meetings which are monitored by the police.

Public rallies are banned; those sessions, or *ceramahs* in Malay, technically require police permits and must be held within a walled enclosure.

At one stage in this pre-election battle, Dr Mahathir accused his opponents of exploiting an old man, in the person of Tunku Abdul Rahman, Malaysia's first prime minister, by using him to oust Dr Mahathir from his Kubang Pasu constituency.

The Tunku, as he is affectionately called, answered that he would be glad to stand against Dr Mahathir, who has lost Kubang Pasu before.

The prime minister may have been worried by this, for he spent three days camped in the area shortly before parliament's dissolution last week.



In any event, Tengku Razaleigh's party, Semangat '46 (the Spirit of '46), has since announced that it would not field the Tunku, the party's "adviser".

Besides their dislike for Dr Mahathir, the Tunku and Tengku Razaleigh also have, in common, royal blood.

The Tunku has poor eyesight and moves about in a wheelchair, so that it will be Tengku Razaleigh who will marshal the forces against Dr Mahathir and his National Front coalition during the official 10-day campaign leading to the October 21 election.

By past standards the official campaign period is short, and by past measures it promises to be one of the most bitter.

There is more at stake than what is thought of so far as an unprecedented case of Malay political rivalry, or simply a fight between a prince and a doctor for national leadership.

The election could sow the seeds of a two-party system because opposition parties can now more plausibly offer an alternative government.

Those parties, particularly the Chinese-based Democratic Action Party (DAP), the country's largest and most enduring, have Dr Mahathir to thank. In 1987, Dr Mahathir sacked, rather than accommodate, all those from his cabinet who had challenged him during party elections in the April of that year.

The move, uncharacteristic of an Umno leader, laid the groundwork for the defection of a substantial faction of Malay politicians like Tengku Razaleigh, who could link up two disparate ends of the ethnically-based political spectrum. For decades, the extreme Chinese faction in DAP has been occupying one end of it, while the Malay faction in Parti Islam (PAS) the other. Neither side has been able to capture power alone.

One reason leading to the present changes stems from the reality that all politics revolve around ethnicity. Since no single ethnic party can command a majority in parliament, with 180 seats now, power has to be shared.

The Malays constitute half of the 17m population, the Chinese a third, and the Indians slightly under 10 per cent. Kadazans and *Dayaks* make up the rest. But power is not necessarily distributed equally; and within the Front, which groups 10 ethnic-based parties, that power is monopolised by Umno. Thus the Chinese in the main have frequently voted for the DAP.

Umno stood, in the past, as the sole guarantor of Malay political supremacy against the Chinese economic might.

The Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC), two of minority representative voices in the coalition, depend on Umno votes. But their presence provided a modicum of multi-racial legitimacy in governing the country.

The same appeal is now made available by the rival coalition, dubbed the "Alternative Front". This is possible because Semangat '46 provides the most essential element, the mainstream Malays who will head the rival coalition.

Among the 13 states, Malay strength is divided and weak in Kelantan and Penang. In the Borneo states of Sabah and Sarawak, where Umno is non-existent, the regional ethnic parties there could emerge as power brokers once there is a tie in the peninsula. If the fundamental condition of a two-party system is that parties are not far apart, the Malaysian parties would fit the bill.

This means that Malay political dominance is kept intact, and no one expects that economic policies will be changed, even with a change of government. Thus, Dr Mahathir's attacks against his opponents are trained instead on breeding dissension among members of the new coalition.

The political attacks by '46, DAP and PAS are levelled, in particular, at Dr Mahathir. He has invited special criticisms largely because he fundamentally changed the established ways of conducting business and politics.

In business, he has unabashedly given some of the prime privatisation contracts, such as a M$5.7bn (£1.07bn) toll road scheme, to companies owned by his own party.

Dr Mahathir's political record in 10 years as prime minister has hardly endeared him to liberals, Malays and non-Malays alike.

He has challenged the constitutional role of the king; he has engineered the dismissal of five of the country's most senior judges; he has arrested many under internal security laws; and has caused far-reaching constitutional and legislative changes that affect dissent and free speech.

Dr Mahathir is going to the election with the manifesto of "peace, stability and prosperity" and he has grounds to be confident: the country has had a good three-year run of economic growth and relative low inflation rates.

Most people, even among some of his opponents, are expecting victory for the Front. But the nature of Malaysian politics, as in economic policies, have been set on a course towards fundamental change.

Bush censure for Israel at UN

By Michael Littlejohns, UN Correspondent

IN DECADES of UN Security Council debates on the Middle East, the US has voted for only two resolutions critical of Israel and has acquiesced in just a few more by casting abstentions.

The last time the US supported an anti-Israel resolution in the Council was in June 1982, after the invasion of Lebanon.

A year earlier, the US delegation joined in the council's censure of the Israeli air force's destruction of an Iraqi nuclear installation.

A succession of US ambassadors to the UN have repeatedly vetoed proposals to condemn or deplore Israeli actions. But although the Security Council meeting on Tuesday night, to agree on an on-the-spot UN investigation of Monday's bloody incident at Jerusalem's Temple Mount, was adjourned without agreement, the US did issue its strongest ever condemnation of Israeli actions.

The main argument in the Security Council was over sending a UN investigative mission to the Israeli-occupied territories. The US wants the mission to be sent by the UN Secretary-General, Mr Javier Pérez de Cuellar. Arab states want a team straight from the Security Council, with powers to make recommendations.

Fearing an erosion of its coalition against Iraq, the US abandoned its usual defence of Israel and drew up a draft resolution attacking its ally's handling of the Jerusalem violence. The Bush administration's decision to submit its own draft was a compromise alternative to vetoing the tougher resolution supported by most members of the Security Council.

Syria-Lebanon pipeline reopens

By Lara Marlowe in West Beirut

THE Lebanese Government has finalised an agreement with the Syrian petroleum office to purchase 8 per cent of Syria's oil output.

The contract marks the reopening of the pipeline between Banias in Syria to the north Lebanon port of Tripoli after a 14-year closure and will also revive the Tripoli refinery.

Syria will supply 20,000 barrels of Syrian light crude a day to the Tripoli refinery, representing 30 per cent of Lebanon's energy needs.

The deal constitutes a small reassertion of central government authority in Lebanon. Official oil imports stopped after the government split into two factions in September 1988.

Lebanon's Tripoli and Zahrani oil refineries were shut down and the domestic fuel market was left to a handful of private entrepreneurs who built their own storage tanks and exploited shortages and fluctuations in exchange rates to reap large profits.

The oil will come from Syrian oilfields near the Iraqi border. "We are buying from Syria because the oil is good quality, because it will lower our transport costs and because we have good relations with Syria," said Mr Souren Khanamirian, Lebanon's petroleum and industry minister.

Mr Khanamirian said that Lebanon's central bank had issued a letter of credit for $11.8m to cover the first shipment of 50,000 tonnes of Syrian light crude.

The letter of credit had to be increased by $6m when oil prices rose after Iraq's invasion of Kuwait. Final price will be determined when deliveries start later this month.

Pretoria frees 21 prisoners

The South African government released 21 political prisoners yesterday as part of a pledge to free all activists convicted of anti-apartheid acts, AP reports from Cape Town.

Mr Titus Hendricks (pictured left with his mother) was one of 18 released in Cape Town. Three others were freed from prisons in Johannesburg and Pretoria. Most of those released belong to the African National Congress. They had two to five years remaining on sentences that included convictions for terrorism, sabotage and treason.

The ANC has demanded the release of all political prisoners, estimated at up to 3,000, before it will enter full-scale negotiations with the government on ending apartheid.

Bhutto's husband is held on charge of extortion

By Farhan Bokhari in Lahore

MR Asif Ali Zardari, husband of Ms Benazir Bhutto, Pakistan's deposed prime minister, was arrested in Karachi yesterday on a charge of extortion.

Later his arrest charges were broadened to include two charges of use of undue influence in obtaining bank loans during Ms Bhutto's 20 months in power. Her government was dismissed in August on grounds of corruption.

Ms Bhutto said that her husband's arrest was politically motivated.

In the October 24 general elections, Mr Zardari faces a contest against the son of Mr *Ghulam Mustafa Jatoi*, Pakistan's interim prime minister. Ms Bhutto said her husband's arrest would not prevent her from continuing her campaign against President Ghulam Ishaq Khan.

Later she visited her husband at a jail in Karachi. Mr Raja Qureshi, Mr Zardari's lawyer, said he would file an application today to seek Mr Zardari's release on bail.

Mr Zardari was granted bail on other charges by a court in Karachi last week. At that time the court also instructed him to deposit his passport and national identity card.

Mr Qureshi said that he would file another application to ensure Mr Zardari was examined by two doctors every day while in police custody, to ensure he was not maltreated.

The man who would be king of India's have-nots

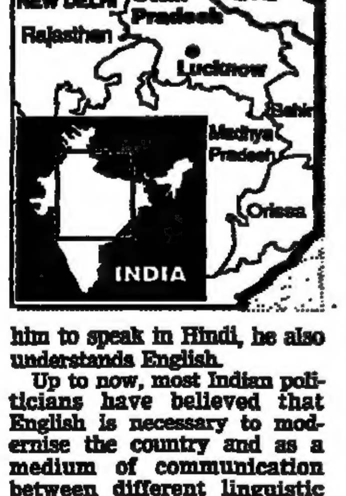
David Housego meets the state leader who is pushing the 'backward castes' to the political forefront

ANYBODY trying to understand the social upheaval taking place in northern India soon comes face to face with Mr Mulayam Singh Yadav.

The son of a peasant farmer from a remote village in Uttar Pradesh province, he has proved over the last 10 months to be one of the most decisive and independent chief ministers that the ill-governed state – the largest in the country with a population of 140m – has had in over 30 years. Virtually unknown outside Uttar Pradesh before he took office as a result of the Janata Dal victory in the 1989 elections, he is now spoken of as a potential prime minister.

In the current tense atmosphere of the north, his is the main responsibility during the coming weeks for preventing caste and Hindu-Moslem conflicts erupting into further violence as Hindu fundamentalists bring to a head their campaign to build a Hindu temple at Ayodhya on the site of a 400-year-old mosque. The risks were underlined over the weekend as details emerged of the slaughter of an estimated 200 Moslems in villages close to Ayodhya in the wake of Hindu-Moslem clashes.

Squat, heavy-shouldered and with deep-sunk eyes, Mr Yadav marks his difference from India's political establishment by refusing to talk to a foreign journalist in English. "You speak in your mother tongue", he says in his office in Lucknow, the capital of Uttar Pradesh, "and I will speak in mine". He leaves no doubt that while it is a matter of policy to



him to speak in Hindi, he also understands English.

Up to now, most Indian politicians have believed that English is necessary to modernise the country and as a medium of communication between different linguistic regions. Mr Yadav, however, sees English as the language of the privileged élite whose influence he wants to reduce.

In his brief period as chief minister, Mr Yadav has already insisted that English be banned from use in state government offices. "English should not be a compulsory medium of education, or of getting a post in government or in the judiciary." He adds: "I want to remove English from public life. Those who want to study it (voluntarily) are welcome."

Mr Yadav is the most visible symbol of the shift in the balance of power taking place in northern India as the increasingly aggressive and powerful lower castes seek to push the upper castes from their dominance over government.

As his name implies, Mr Mulayam Singh Yadav is a member of the Yadav (cowherd) sub-caste – one of the northern farmer castes that has prospered on the back of land reform and the "green revolution". The Yadavs, with another member as chief minister of Bihar and a third as a minister in the central government, are one of the most vociferous of the so-called "backward castes".

Mr Yadav was among those who put strong pressure on Prime Minister V.P. Singh to push through his controversial programme of reserving 27 per cent of jobs in central government for the backward castes. "The measure by itself is not sufficient to improve the position of the backward castes", he says. "But it is a symbolic gesture, as government jobs are a prestige thing."

Mr Yadav claims that the Hindu upper castes who have been behind the huge demonstrations against job reservation are also leading the crusade to build the temple as a symbol of Hindu unity. The Hindu radical BJP party are "behind both movements – the anti-reservation demonstrations and the temple issue", he says.

He has made clear that he will not allow the temple to be built and is bringing a strong paramilitary force to Ayodhya to demonstrate his seriousness. He has also organised rallies throughout Uttar Pradesh to promote harmony between Hindus and Moslems.

But behind this secular image there also lies cold political calculations. Mr Yadav is seeking to organise an alliance of the "have-nots" of India (the backward castes, the Moslems and the untouchables) against the "haves" (the Brahmins and the other upper castes).

Mr Yadav's strength is that unlike Prime Minister V.P. Singh – whose government is falling apart through drift and indecision - he is prepared to act tough.

He ordered the arrest of one of the four spiritual leaders of Hinduism, the Shankaracharya of Dwarka, over the Ayodhya dispute when his officials hesitated to do so. He has also detained the farmers' leader, Mr Mahendra Singh Tikait, who has intimidated central and provincial governments by the size of his following.

The (Brahmin) civil servants who work for him are amazed and amused at his blunt approach. When he came to Delhi to lobby for a chemical plant for the state, he told the minister concerned that he wanted a rapid response – and brushed aside objections about bureaucratic formalities.

Now 51, Mr Yadav got his political ideas in the 1950s from Mr Ram Manohar Lohia, a Marxist agrarian reformer who believed that small industries should be encouraged.

Mr Yadav remains strongly critical of the late Prime Minister Jawaharlal Nehru's emphasis on industrialisation. "Nehru's policies are principally responsible for the backwardness of this country because he always emphasised heavy industry at the expense of agriculture," he says.

Like many of the "backward caste" politicians who first entered the state assemblies of Uttar Pradesh and Bihar in the 1960s, he does little to conceal his links with local gang leaders. Mr Yadav has often shared a public platform with "Anna", a mafia boss in Lucknow.

During his political career, Mr Yadav has often quarrelled with Mr V.P. Singh. He supports him now, largely because of Mr Singh's job reservation programme.

But if Mr Singh should fall, Mr Yadav clearly sees himself as one of the power brokers in the making of a new coalition – thus advancing his own claims to be prime minister one day.

ALARM GROWS OVER RISING DEATH TOLL IN CLASHES

The toll of daily violence in India has become so great as to cause alarm even in this country which has long learned to live with human suffering, David Housego reports.

Tuesday – the last day for which full figures are available – was probably worse than most but it was by no means exceptional and the overall scale of killings has become so great that many Indians talk of a potential breakdown in their law and order machinery. Here is what happened in different parts of India as reported by the news agencies and the press on Tuesday.

■ In southern India, about 40 people were killed when Naxalites (left-wing) extremists set light to a train carriage near Hyderabad. Their action was also intended as a protest against the government's job reservation programme in advance of a strike they had called.

■ In Karnataka, also in the south, two more people were killed in clashes between Moslems and Hindus, bringing the death toll in recent days in the towns of Kolar and Davanagere to 45.

■ In the north, eight people took their lives or were killed in renewed demonstrations against the government's plans to reserve jobs for lower castes.

■ In Kashmir, 27 people were killed including four members of the paramilitary forces, in clashes between militant separatists and the security forces. In what appears to be worsening violence in the state, parts of central Srinagar, the summer capital, were set on fire.

■ In the Punjab, 21 people were reported killed in terrorist violence.

The daily average in the Punjab – where much of the violence is now criminal – is 20-30 killings. Terrorists also sought to blow up a train near Amritsar.

All these incidents were reported in the Delhi press. But the violence in Punjab and Kashmir has become so accepted that it is given little space.

Gandhi fails in move to wield party power

By David Housego in New Delhi

MR RAJIV GANDHI, the former Indian prime minister, suffered a political setback yesterday when the southern state of Karnataka – one of the few states still under the control of the Congress party – was placed under direct rule from Delhi, David Housego writes.

Mr Gandhi exposed himself to this tactical manoeuvre by prime minister V.P. Singh's administration by his abrupt attempt at the weekend to secure the removal of Mr Veerendra Patil, the state's chief minister, and a senior Congress leader in the south.

Mr Gandhi announced at the weekend that Mr Patil would be stepping down in the wake of a visit he made to the state. Mr Gandhi expressed concern at the state government's failure to control recent Hindu-Moslem riots and at the ill-health of Mr Patil.

The importance of Karnataka to Congress is that the south accounts for the bulk of the 193 seats the party has in parliament, and is thus, since last November's election, the main bastion of the party's strength.

In the past, Mr Patil would have humbly accepted his marching orders – particularly as many in Congress agree with Mr Gandhi. But angry at the way he had been treated, Mr Patil announced he would not resign.

In an effort to put pressure on him, 12 ministers in his government – all Gandhi loyalists – yesterday resigned their portfolios.

This provided an opening for Mr V.P. Singh who, through

Gandhi: caught out by Singh

the state *governor*, announced that Karnataka would be brought under direct rule from Delhi and the state assembly suspended.

Congress has an overwhelming majority in the Karnataka assembly. Mr Gandhi's humiliation will be quietly welcomed by many senior Congress leaders anxious for a more *democratic party organisation*.

But the exercise also shows that Mr Singh – now under attack on many fronts – is ready to twist the constitution, a practice he criticised when Mr Gandhi was in power.

MetroPower seeks to supply London

Veba unit backs plan to power railway network

By James Buxton, Scottish Correspondent

LONDON Underground, the city's commuter rail network, yesterday launched a joint venture with German and Scottish electricity utilities that could become one of the largest independent generators in the home counties.

The new company, MetroPower, is to study ways of increasing the capacity of London Underground's two existing power stations at Lots Road and Greenwich from 230MW to about 700MW.

This could involve investment of about £500m in new combined cycle gas turbine equipment. MetroPower, which will initially have a nominal share capital while detailed plans are drawn up, is a joint venture with Scottish Power, the larger of the two Scottish electricity companies, and Veba Kraftwerk Ruhr (VKR), one of the largest generators and distributors of electricity in Germany.

New generating equipment would be installed in the existing buildings. Whereas the existing plant meets two-thirds of London Underground's needs for electric traction, the new equipment would be able to meet more than twice the underground railway's needs.

London Underground, a public sector company, had formerly planned to close its two power stations and rely on supplies from the electricity market.

Construction of the new generating plants would depend on contracts for the sale of the surplus output and would be financed by borrowing against those contracts, with only 15 or 20 per cent coming from equity. That way, neither the taxpayer nor the passenger would have to fund the new generating plant.

The participants believe there are good prospects for sale of power under commercial contracts to large users and into the generating pool of England and Wales.

Sir Donald Miller, chairman of Scottish Power, said a large part of the initial engineering studies would be carried out by his company in Glasgow.

Company car buyers resist lure of Japan

By John Griffiths

JAPANESE cars, even those built in the UK, are still facing resistance from UK companies, many of which still will not have them on their purchasing lists, a senior executive of Hertz Leasing said yesterday.

Mr Geoff Owen, general manager of the vehicle leasing and fleet management group, said that while many companies now offered a wider choice of company cars to their employees, including European-badged cars, few extended this choice to Japanese-badged vehicles.

He said that Nissan's new medium saloon contender, the Primera, had more potential to attract company purchases than the Bluebird it replaces.

But he indicated that both it and the similar-sized car Toyota plans to build at its Burnaston plant in Derbyshire would have difficulty gaining entry to high-volume company fleets where the vehicles were not being used merely as "perk" cars.

Mr Owen said Toyota, Nissan, Mazda and Honda were being much more successful in the "perk" car sector, where their sporting cars were winning wide acceptance.

Jaguar bares its teeth over work practices

Michael Smith on the trials facing a car maker seeking to reform workplace culture

DISBELIEF was expressed by one motor industry personnel manager yesterday when he heard of plans by Jaguar, the US-owned luxury car company, to overhaul the working practices of its employees. His surprise was not so much at what Jaguar was aiming at, but at where it was starting from.

The company still operates a quota system whereby employees stop work after they have produced a specified number of cars in a day. "Good grief," he said. "Virtually all companies require workers to carry on producing until the end of a shift."

Jaguar's proposals include demands for manual workers to agree to the removal of job and union demarcations in all areas, to take on individual responsibility for quality by "seeking out and repairing" faults, to commit themselves to "never ending process improvement" in conjunction with supervisors, and to agree "practical steps" to reduce unofficial work stoppages.

The proposals, which the company wants accepted as part of a pay deal, represent the start of one of the most significant shake-up of working practices and workplace culture attempted by a UK car company. Reactions yesterday among employees at Jaguar's Browns Lane, Coventry – one of three owned by the company – suggest it will not be easy for the company to steer them through.

Jaguar employees check cars coming through the final stages of the production line

Mr Ian Inglesant, an 18-year-old line worker, said the company's demands were totally unreasonable. "Inspection is the job of inspectors, not us. Our job is to fit components. We cannot do any more."

Mr Peter Brassington, 38, said the company's proposals were draconian. "People already work as hard as they can. Output has risen enormously but real pay has gone down. We do not have time for self-inspection."

The issue for Jaguar is not productivity, which is recognised to have risen rapidly, but the lack of change in its work practices compared to competitor companies.

Professor Garel Rhys, specialist motor industry economics at Cardiff University, says the problem stems from Jaguar's concentration on improving volumes and quality in the early 1980s when it was struggling to survive. "There was no time to attack working practices," he says. "Extra output came through the time honoured method of piling in extra workers."

Ford's takeover of Jaguar at the end of last year made rapid change inevitable. The company has been at the forefront of work practice changes among US and European companies. Mr Bill Hayden, Ford of Europe vice-president and now Jaguar chairman, believes changes are essential before Ford agrees to invest in raising annual output from a present level of about 50,000 cars to more than 150,000 by the end of the century.

The precise nature of changes being sought at Jaguar will only become clear as negotiations on this year's pay deal progress. They will incorporate much of the philosophy behind reforms introduced in the last five years at Ford's main UK plants.

Those changes are designed to erode traditional demarcation lines separating production from maintenance workers, unskilled from skilled workers and blue collar from white collar workers.

Jaguar did not say so in its letter to employees this week but the company is also likely to push for the further spread of teamwork. Although it has introduced teamwork in two relatively small areas, the concept is very much in its infancy compared to other companies.

Teamwork, with its increased flexibility of workers, is at the heart of Ford's industrial relations strategy. The move to improve self-inspection among workers similarly mirrors developments at Ford. The teamwork plans, it seems, are already being laid.

Britain warned over fading role in European TV

By Raymond Snoddy

THE UK has lost its chance to play the leading role in the new competitive European broadcasting industry, Mr Marc Tessier, managing director of France's Canal Plus International warned yesterday.

Mr Tessier, a senior executive with the pay-television company, told the Financial Times conference that the British TV industry, "once the most advanced in Europe", had steadily lost the initiative "in favour of other European players whose strength has been continuously reinforced".

Most British broadcasters had stayed apart from Europe

FT CONFERENCE

INVESTMENT OPPORTUNITIES IN BROADCASTING

at a time when powerful international television groups were emerging in Europe – such as Bertelsmann and Beta Torus in Germany, CLT in Luxembourg, Berlusconi in Italy, and Canal Plus.

As a result few of the major European players were interested in investing in the UK. The value of Independent Television (ITV) companies would be less than previously and probably too low to attract multi-national European players.

The complexity of the UK television market and the uncertainties imbedded in recent legislation would continue to set a fence between the two sides of the Channel, Mr Tessier said.

Earlier Mr Richard Hooper, of the PA Consulting Group chairing the session, said that control of distribution was the key to competitive advantage in the 1990's. The big money in broadcasting would come not from ownership of the means of production but ownership of the means of distribution.

Mr Jon Davey, director general of the Cable Authority, warned that confidence in cable television could be undermined if the British government changed the current competitive environment when it reviewed the telecommunications duopoly between the BBC and ITV).

British Telecom, he said, had been lobbying for the freedom to use its upgraded main telephone networks to deliver television to homes.

"The economics of cable are daunting enough without an operator having to share the market with someone else, let alone someone with a comprehensive infrastructure of ducts and poles already in place and who therefore starts with a massive advantage", Mr Davey said.

The right decision now, in particular greater encouragement for cable operators to develop telecommunications businesses to compete with BT at the local level, would be an additional spur to investment in cable, he said.

Mr Brian Wenham, chairman of Crown Television, and a former managing director of BBC Radio, said that despite plans for new commercial stations it would be hard to push the BBC below a 50 per cent audience share in the early years of commercial network development.

A national pop radio network was unlikely to go wrong unless the winning applicant overbid. The other two commercial national networks – a non-pop channel and a speech-based channel could both struggle "requiring strong nerves and something of a long pocket if things go wrong."

Mr Peter Baldwin, director general of the Radio Authority, emphasised that the new authority intended to introduce services in a way that should not undermine the listenership success that independent radio already seems to enjoy.

The authority would be delighted if commercial radio managed to shed its "2 per cent (of total advertising expenditure) image" and take its rightful place among other media.

Mr Michael Darlow, chairman of the Independent Programme Producers' Association, accused the government of having been "bamboozled into abandoning its clear policy pledge that at least 25 per cent of programmes broadcast on both ITV and the BBC will be supplied by independent producers".

The government had acquiesced after a skilful campaign by broadcasting bureaucrats through the use of exceptions, to water down that pledge from 25 per cent to 8 per cent.

Mr Will Wyatt, assistant managing director of BBC Television, said that the corporation was busy commissioning independent programmees for the heart of its output and that there was "nothing mealy-mouthed, nothing grudging or tight-fisted about our policy for independent production".

● Lord McGregor of Durris, chairman of the Advertising Standards Authority for the past ten years, is to be the first chairman of the new Press Complaints Commission.

The Commission, which is now being set up in the wake of the Calcutt Report into the press and privacy, will take over from the Press Council on January 1.

The new body is widely seen as the UK newspaper industry's last chance for self-regulation in the face of government

Lord McGregor: New role

warnings that legislation will follow it does not put its house in order within a year.

Lord McGregor was offered the job by representatives of the entire UK newspaper industry. The Home Office is now being consulted on the industry's choice.

Tories export values to eastern Europe

By Ralph Atkins

LOCAL difficulties with the British electorate have not undermined the Conservatives' zeal for promoting their values in the former communist countries of eastern Europe.

This afternoon 18 eastern European politicians will be welcomed on to the Tory party's annual conference platform by Mrs Margaret Thatcher, the prime minister.

Mr William Waldegrave, foreign office minister, told a meeting at the conference in Bournemouth, on the English south coast, that the party has "a great task" in helping forge the centre-right parties emerging in Europe.

In the past year, the Conservative party has sent teams to offer practical help - sometimes, as in Romania, as basic as a supply of paper - for new centre-right parties.

Government policy is that the emerging democracies should be encouraged to join the European Community as soon as reasonable.

Mr Waldegrave told the fringe meeting that "Europe without eastern Europe is not Europe at all". Shrugging off a warning by Mr Michael Heseltine, the former defence secretary, earlier this week about the social consequences of a flood of economic refugees, he said: "We hear the peoples of eastern Europe saying their eventual membership of the European Community would be the final episode of their homecoming".

The Foreign Office plans to unveil in the new year plans for a "political foundation" to promote political plurality in emerging democracies - in less developed countries as well as Europe. It is negotiating with the Treasury for government funds, probably less than £10m, for a foundation operating on a similar lines as the US National Endowement for Democracy.

Grants would be passed onto political parties of all complexions by the body which, under its charter, would include representatives of the main British parties. Meanwhile, Conservative central office has been establishing links with counterparts in Hungary, Czechoslavakia, Poland, east Germany and Romania.

The common link is that all are "doctrinally congenial" to the British Conservative tradition, according to Sir Geoffrey Pattie, a vice-chairman of the party.

Hurd tells Nato to review future alliance policy

By Bob Mauthner

NATO countries must review the scope and purpose of their alliance in the light of the latest developments in Europe and the Gulf and pay much more attention to threats from outside the alliance's area, Mr Douglas Hurd, the foreign secretary, said yesterday.

While admitting that the justification for Nato could become much less clear with the virtual disappearance of the threat of a surprise Soviet conventional attack, Mr Hurd nonetheless stressed that Nato remained necessary.

He told a fringe meeting at the Tory party conference that Nato provided a "convincing insurance policy" as long as the Soviet army remained the largest in the world and the Soviet Union and eastern Europe were in a state of flux.

That did not mean sticking to the exact formula devised for the Cold War. The object of reviewing the alliance's scope was to identify those interests which Europe and North America had in common, including democracy and the rule of law, and then to decide how to defend them.

However, Mr Hurd did not see Nato's role as that of "the world's policeman". Its central role would remain that of defending the Nato area.

The task for the 1990s would be to strike a new balance between the roles of Europeans and Americans within the alliance, not to make a straight choice between an Atlantic and European security policy.

TORY PARTY ANNUAL CONFERENCE

Major to predict cuts in inflation and interest rates

By Philip Stephens, Political Editor

MR JOHN MAJOR, the UK chancellor of the exchequer, will today reassure the Conservative Party faithful that both inflation and interest rates will fall sharply in the run-up to the general election due by mid-1992.

In a keynote speech to the Tories' annual conference, which is expected to confirm his status as the leading contender to eventually succeed Mrs Margaret Thatcher, the prime minister, Mr Major is also expected to provide a glimpse of his own ambitions to broaden the party's appeal to the less affluent.

He is likely to rule out, however, any prospect of a deliberate pre-election boom to take advantage of Britain's full membership of the European Monetary System.

Party managers gathering in Bournemouth, on the English south coast, hope that the chancellor's speech will provide a much-needed lift to a conference which has so far lacked excitement and clear direction.

Mr Major's deep-rooted concern for the emphasis of Conservative policies to be placed on providing social and economic mobility for those at the lower end of the incomes scale is seen as offering considerable electoral benefits.

His speech will follow a concerted ministerial attempt yesterday to refute the charge of the Labour opposition that the Government has failed to respond to public pressures for better public services and for greater attention to be given to "quality of life issues".

In one of the more impressive speeches so far this week, Mr Chris Patten, the Environment Secretary, underlined his belief that preservation of the environment will remain one of the central issues in world politics.

Announcing a series of initiatives to create new forests, protect the countryside and to pay for the restoration of fine churches, he said that the Government would ensure that care for the environment was on every government and town hall agenda.

● MR Neil Kinnock, the opposition Labour Party leader, sought to re-open differences within the government on the European Exchange Rate Mechanism by challenging the prime minister to open the forthcoming Commons debate on Britain's decision to enter.

Mrs Thatcher yesterday confirmed that a debate on ERM entry will take place after the Commons reassembles next week.

She insisted, however, that Mr John Major, the chancellor of the exchequer, will open the debate for the government.

In a letter to Mr Kinnock, she said this was appropriate, since ERM entry was an important matter of economic policy and it had been the Chancellor who had announced the decision to apply for membership.

In an attempt to highlight the prime minister's long-held reservations about entering the ERM, Mr Kinnock responded by saying it was "extraordinary" that Mrs Thatcher was not prepared to open the debate herself.

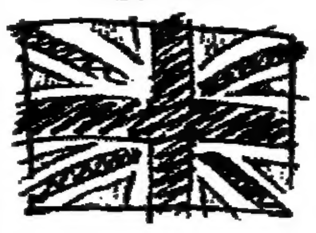
Replying to her letter, Mr Kinnock said: "It is also strange that you intend to avoid the obligation to set out your reasons – as prime minister – for the government's decision and for its timing and to give your view of the implications for the UK and its people.

"On an issue of this magnitude, the reason that you give - that it is more appropriate for the chancellor of the exchequer to lead – is frankly unconvincing".

In the debate, Labour is expected to demand explanations for the timing of the decision and the changing of the conditions for British entry from those originally set out after the Madrid summit.

It is also expected to challenge the government how it would respond to the industrial re-structuring and possible rise in unemployment forecast to follow entry in the ERM.

BRITAIN IN BRIEF

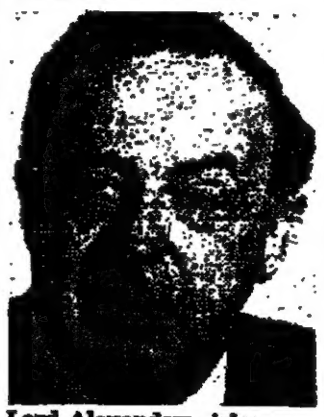


Saatchi & Saatchi loses top executive

Saatchi & Saatchi, the embattled advertising group, has lost one of its most senior executives following the resignation of Mr Paul Bainsfair as managing director of its main London advertising agency.

Mr Bainsfair's departure has fuelled speculation in the advertising industry that he may be planning to start a new agency with Mr Dave Trott, who was dismissed as creative director of Gold Greenlees Trott, another leading London agency, after a boardroom row earlier this summer.

NatWest chief warns banks



Lord Alexander: risks

A warning that tougher competition in the banking industry will increase the risk of bank failures was given by the chairman of the National Westminster Bank.

Lord Alexander said: "The almost forgotten concept of failure in the banking industry arises again. Companies may, as we have seen recently, enter the industry. In the future companies may be forced to exit the industry."

Although it was the duty of banking supervisors to prevent such instability, Lord Alexander went on "it does not wholly prevent banks, in reaction to fierce competition, taking higher risks to secure better rewards, or taking wrong decisions as to the way in which they should diversify".

Beer drinkers sink 30m pints

Figures issued by the Brewers' Society show that total UK beer consumption in 1989 was 38.6m barrels, virtually the same amount as in 1988 despite the hot summer weather.

The British are drinking less per head (194.9 pints) than 10 years ago (217.1 pints); and though the UK is the third largest brewing country in the world, consumption per head now lags behind that of the Germans, Czechs, Danes, Belgians, Austrians, and New Zealanders.

In terms of overall alcohol consumption, the UK is 20th in the international league table. The French drink almost twice as much.

Five cleared over IRA leaks

Five Northern Ireland men were cleared of charges brought in connection with the John Stevens inquiry, the controversial investigation into allegations of collusion between loyalist paramilitary organisations and elements within the province's security forces.

Belfast magistrate's court heard that four of the men had been held in custody for several months and all were charged with possessing documents about IRA suspects.

Cities face flood risk

London and at least nine other major cities of the world are at risk of a "flood catastrophe" from a rise in sea levels caused by global warming according to researchers at the University of East Anglia.

In a report published yesterday they say the design of the Thames Barrier does not take into account sea level rises due to global warming and its safety margins are likely to be exceeded by the year 2030.

Electricity profit warning

A warning will accompany the profit forecasts in the privatisation prospectus of the 12 regional electricity companies, under an arrangement agreed between the companies and the Government.

The warnings will indicate the factors such as the weather or oil prices which are critical to each company's profit forecast.

Gummer hits US over Gatt

In an unusually outspoken attack on the US, Mr John Gummer, the agriculture minister, called for the replacement of America's "megaphone diplomacy" over the General Agreement on Tariffs and Trade (Gatt)

John Gummer: outspoken

negotiations by realistic proposals, for reducing food subsidies.

To applause at the Conservative Party conference in Bournemouth, he insisted: "We are not going to lay waste our countryside in Europe just to allow the American mid-west to take over our markets".

Insolvencies on the increase

Company insolvencies rose from 9,427 to 10,456 last year, according to official figures contained in the Insolvency Service's annual report.

The report shows that 9,365 individuals went bankrupt last year, up from 8,507 in the previous year.

Last year, the Service – now an Executive Agency within the Department of Trade and Industry – received 3,234 reports on unfit conduct by directors.

BT to charge 43p for enquiry

British Telecom confirmed that it intends to charge 43.5p (37.8p plus VAT) for each directory enquiry from April next year.

It will simultaneously cut the cost to customers of local, national and international calls by an average of about six per cent to conform to its licence obligations, which require it to hold a basket of its main prices to a level set by the retail price index.

Most developed counties charge for directory enquiries, but BT said comparisons were difficult because of different levels of subsidy. In the US, the average charge is 22p, in Japan, 20p, in France 37p and in Germany 8p.

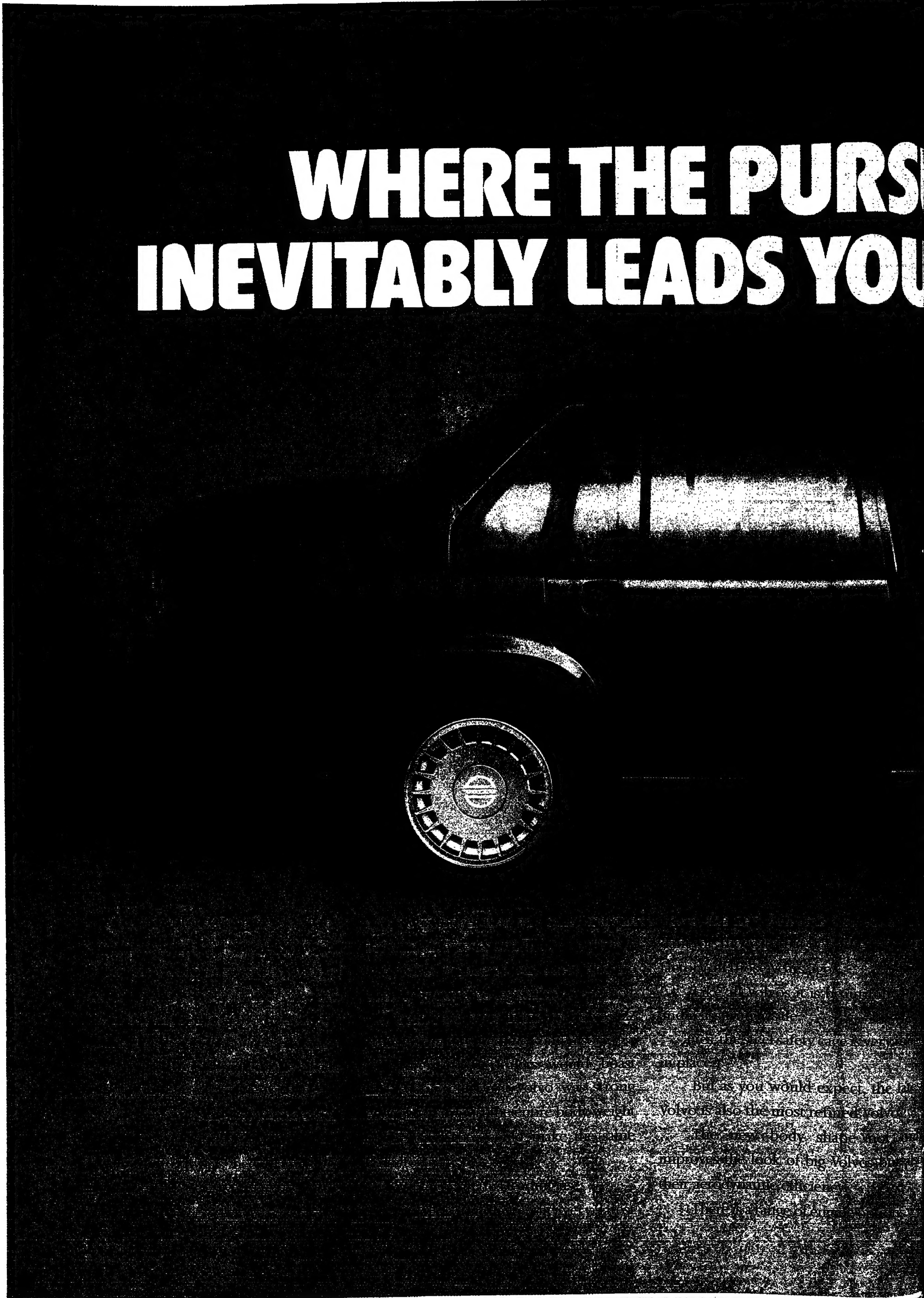
Union draws up blacklist

A blacklist of financial services companies which refuse to adopt European Community social charter measures is to be drawn up by the MSF general technical union.

Mr Roger Lyons, MSF assistant general secretary, said the union was by-passing the UK government because it was cynical about the government's commitment to the charter. The list would be sent directly to the European Commission to form part of an annual report on the implementation of the charter by member states.

Cathedrals win green funds

English Heritage, the official body which looks after monuments and other historic building, can expect around £5m-£6m in extra funding from the Government in 1991-92 which will be earmarked for repairs to the nation's historic cathedrals, and comparable buildings of other religious denominations.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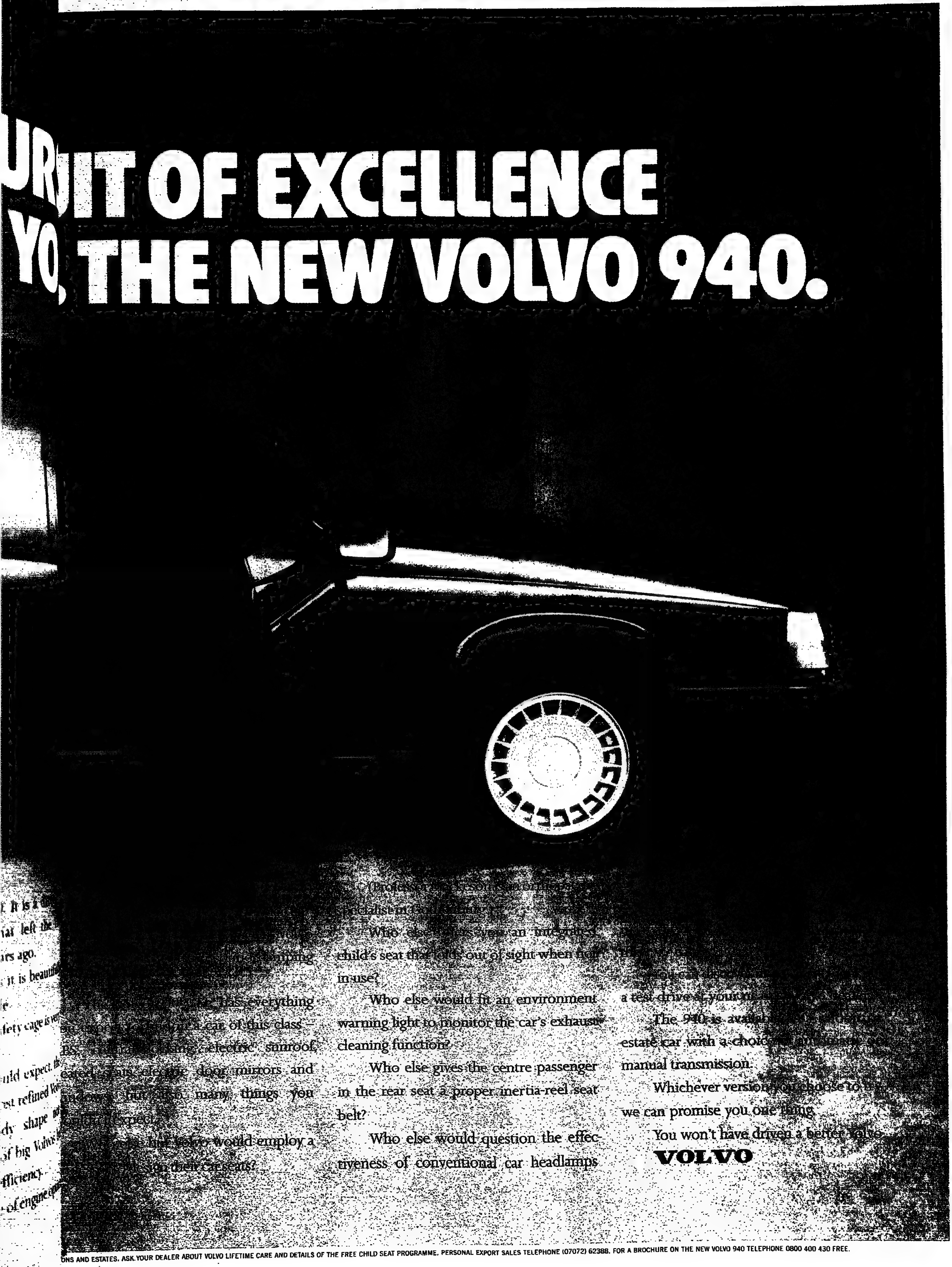
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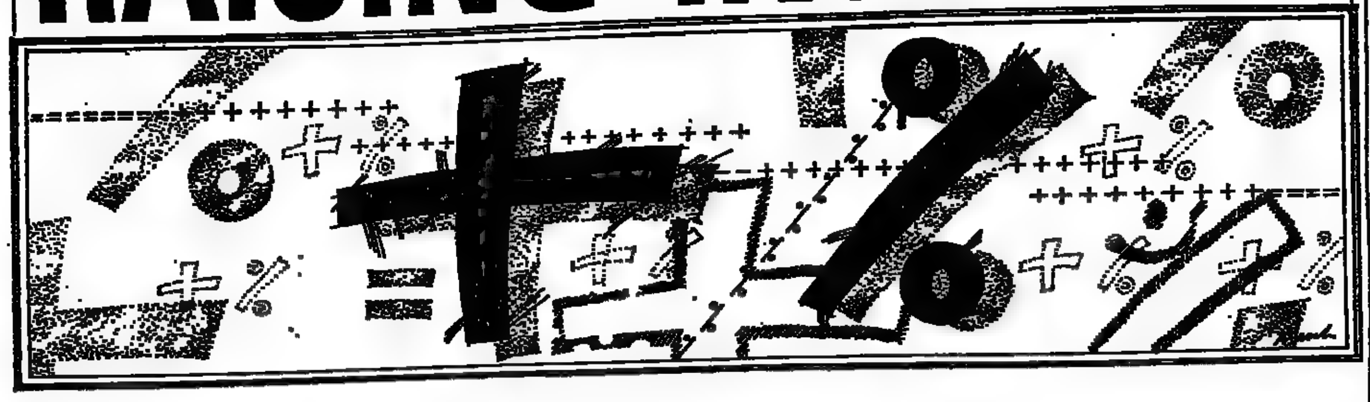


BUSINESS LAW

Misplaced doubts on EC mergers

By Sir Leon Brittan

ARE SOME of the more jaundiced comments about the European Community's merger regulation really justified? Two weeks ago in this column doubt was cast, for example, on the regulation's ability to provide one-stop control. But a careful reading of the regulation should dispel much of this doubt. After all, let us not forget that the regulation was specifically designed by governments to provide a one-stop shop. Indeed Britain was the country that was keenest on it for that reason.

Establishment of a single authority for controlling "concentrations" was a central condition for the British government's agreement to the regulation last December.

They insisted that it was essential, for ministers saw it as a system which would lighten the bureancratic load on companies involved in mergers and takeovers, laying down a strict timetable for decision and removing many of the uncertainties which have existed until now. That is certainly how we see it in the European Commission.

So will business and industry really get the one-stop shop after all?

Jurisdiction to deal with cases under the regulation is divided by means of a threshold. The Council of Ministers chose a purely arithmetical threshold based on turnover, above which the Commission normally has exclusive jurisdiction, thus ensuring a clear demarcation line.

A merger or acquisition will be notified to the Commission if it exceeds the turnover threshold. The case will then be for the Commission to consider under the regulation's rules and procedures; there will be no member state jurisdiction to consider such a merger.

There are only two narrowly circumscribed exceptions to this basic rule: where a particular deal threatens to create a dominant position within the territory of one member state, or where there is a strictly defined public interest issue.

Under Article 9 of the regulation, a member state may make an application to the Commission, saying that a particular merger threatens to create or strengthen a dominant position within its territory or part of its territory.

The Commission can agree with the member state that the merger is a particular threat to competition within its own territory and refer the case to the national authorities for analysis under the normal procedures applicable there.

This possibility has led to the view that this is a loophole in the regulation. In fact it is no such thing, because the Commission may take two other, quite different decisions on the national application.

It may, still agreeing with the member state that there is a threat to competition in the territory concerned, decide to take up the case itself by applying the normal rules and procedures of the regulation without referral to the national authorities.

The Commission may also disagree with the member state's argument and rule that there is no threat to competition. This could be, for example, because the Commission does not accept that the national territory is a relevant market in competition policy terms.

In such cases the Commission would simply inform the member state of its decision that the application is rejected. There would be no referral back and that would be the end of the matter, subject only to judicial review by the European Court.

There is no breach here of the one-stop shopping principle. The Commission is firmly in the driving seat in deciding whether or not a case is better dealt with at Community or national level, if there is indeed a case at all.

The second, and the only other exception to the principle of exclusive jurisdiction above the threshold is contained in Article 21 of the regulation. This concerns the public or legitimate interest which a member state may wish to seek to pursue on non-competition grounds.

Once again, this is not a general public interest exception to the regulation's rule of jurisdiction. Mergers have direct consequences on markets. They may also have indirect consequences, or side-effects, for other areas of public policy.

In discussion with the member states, we were able to identify three such areas: public security, plurality of the media and prudential rules for the financial service industries. A merger may be perfectly innocent in competition terms, but have undesirable consequences in any of these three fields for a member state.

In these circumstances, it is perfectly reasonable for the member state to be able to act, because in doing so it is not applying competition law at all, but is applying a quite specific, different policy that has been authorised by the Commission as a whole.

A member state will therefore be able to take the necessary measures, but only the necessary measures, to provide for public security, media plurality and respect for prudential rules in the context of a merger under the Commission's jurisdiction.

The measures taken by the member state must be the minimum necessary to achieve the objective in question and must always be in full compliance with the general principles and rules of Community law. The Commission will be vigilant in applying this provision.

The three areas of public interest identified in the regulation may not, however, be exhaustive. The regulation takes account of this by providing for an application procedure, whereby a member state may communicate to the Commission any other claim of public interest.

The Commission will then have to consider the member state's application in the light of the general principles and provisions of Community law and give it an answer within a month. The national authorities may not take any measures until the Commission has given its decision.

Once again, it is perfectly clear that this is not a general loophole or exception to the one-stop shop principle. It most certainly does not enable a member state to claim the right to stop any merger it disapproves of by simply claiming that it has a legitimate interest to object to the merger.

The Commission remains in charge of the authorisation procedures and will accept intervention by governments only where this is compatible with the regulation's underlying principles and Community law more generally.

It should not be thought that the one-stop principle was designed just to please the Commission and industry. There is much in it for the member states too. For below the threshold, the Commission has to respect fully the basic principle of exclusive jurisdiction for the member states.

There is only one exception to this exclusive jurisdiction, the third and final exception to the general principle, where national authorities ask the Commission to intervene in respect of a competition problem in their territory. In other words, there is a sort of agency arrangement whereby a member state may call upon the Commission to deal with a national or regional competition problem. There is no question of double jeopardy or multiple shopping. It is a simple extension of the co-operation which prevails in the competition field between the Commission and national governments.

It is true that the thresholds contained in the Merger Regulation are too high for the Commission's liking and we expect to see them come down within four years. Nevertheless, we will loyally apply the regulation as it stands and will not anticipate the lower thresholds in advance.

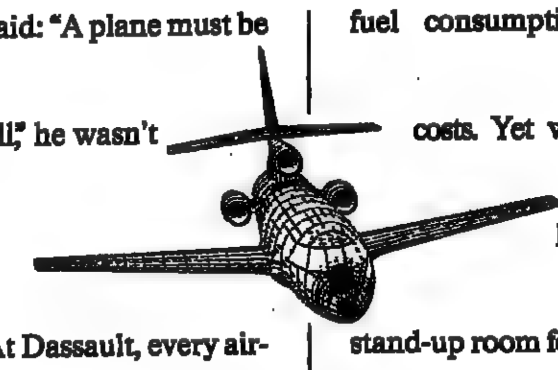
So what will our relationship be with the national authorities? It will certainly involve constant co-operation. We do not see the national competition authorities as the rivals or adversaries of the Commission. They will receive copies of important documents and will come together as an Advisory Committee to express their view to the Commission.

But of course it will be the Commission alone that takes the decisions.

The regulation seeks to provide for a clear division of tasks between the Commission and the member states. This is reflected in the choice of the turnover threshold. Turnover was chosen as the criterion for jurisdiction for that very purpose. It is in some ways a blunt and even arbitrary instrument, but it has the great merit of clarity which business and industry will certainly come to appreciate.

With any new legal instrument there will always be room for argument at the edges, particularly with a regulation of such importance. But the central concepts are not in doubt, and one-stop shopping is at the heart of them.

The author is vice-president of the European Commission.



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TECHNOLOGY

Calls for a cheaper directory

HOW MANY directory enquiry calls does your company make each week. Ten? One hundred? Even more?

Yesterday's announcement by British Telecom that from next April it will charge 43.5p for every call will have sent many managers straight to their calculators, eager to work out what this means to the corporate bottom line.

Surely there must be a better way of getting an up-to-date phone number than this, they may ask. Short of turning to the phone book or to Mercury (which charges 50p plus VAT for all its directory enquiry calls), there are two solutions, both offered by BT.

The first is Phone Base, and can be used by anyone – in the office or at home – with a PC and a modem. Using these the enquirer can communicate directly with BT's directory database in Sheffield.

About 20 names, addresses and numbers can be displayed on the screen at any one time. The user then scrolls through to find the appropriate one.

Phonebase has been available as a trial services for some time, and is available generally to anyone using BT's Prestel viewdata service.

BT believes Phonebase will be used by small companies needing between 20 and 300 numbers a week or by companies that need completely up-to-date information.

For companies needing more numbers on a regular basis BT is planning a second service called Phone Disc. With Phone Disc the 17m entries in today's phone books are stored on a 550 Mbyte compact disc. An updated disc is posted to subscribers every three months. To use the service the business needs a PC and CD-Rom drive, which can be wired into the company PC network so that anyone in the building can look up the required number from his or her desk.

Neither option is particularly cheap. With Phone Disc the {|charge is £2,200 a year. With Phone Base the caller is only charged for the call, at a rate {|equivalent to making a call from London to Manchester. And there may be the need to buy the equipment. {

Della Bradshaw

Clive Cookson describes how computerised audio, video and graphics will transform the home and business environment

First auditions for the multimedia show

The world's computer and consumer electronics companies are manoeuvring for position in what they expect to become one of the great growth areas of the 1990s in both the home and office: multimedia.

Multimedia means mixing audio, video, graphics, text and numbers by computer on to a screen. Defined broadly, the term encompasses any combination of sound and pictures on a computer, including video-games.

Worldwide sales of multimedia products and services are already worth $6.4bn this year, according to a market forecast by the Information Workstation Group of Alexandria, Virginia, and they will be reach $24.1bn in 1994.

"I believe that multimedia will be the most important force of change in the business computing environment of the 1990s," says Rob Lipincott, business development director of Lotus, the big US personal computer software company.

In the home of the late 1990s, the multimedia machine will be a computerised entertainment centre combining and expanding the functions of today's audio and video systems, television set, games machine and home computer.

Most multimedia software will be delivered on a compact disc. The pictures must be converted from the analogue form of conventional video and television to digital code so that they can be manipulated by computer.

Multimedia CDs will build on the CD-Rom (compact disc read-only memory) format, launched in 1985 by Philips of the Netherlands and Sony of Japan as a standard medium for distributing information to personal computer users.

CD-Rom has been restricted until now to a mixture of text, sound and static graphics or pictures. The storage capacity of a CD is 600 megabytes, equivalent to 1,500 floppy discs or 250,000 pages of printed text. That sounds impressive but it is quickly overwhelmed by the immense volume of data required to encode digital video. A single CD can hold only about three minutes of full-motion pictures.

Video is therefore the main technical obstacle in the way of multimedia. In recent years the electronics industry has made progress towards overcoming it, through "compression" technology.

Increasingly complicated algorithms (mathematical processes) are being used to squeeze redundant or surplus information out of video signals, so that they can be transmitted or stored in the smallest possible space without unacceptable loss of picture quality. Both intra-frame coding, which reduces the information content within a single picture, and inter-frame coding, which squeezes out surplus data from one frame to the next, are used.

Several rival multimedia systems are under development:

- Intel, the US chip manufacturer, has DVI (Digital Video Interactive) – a set of chips designed eventually to turn any personal computer into a multimedia workstation. Intel says the cost of adding DVI to a PC will fall to $500 by 1992. Intel's powerful corporate allies include IBM, which is developing the technology for its PCs, Olivetti, which is adapting DVI for Europe, and Thorn EMI, which is marketing DVI in the UK.
- Philips of the Netherlands has CD-I (CD Interactive). This is aimed primarily at the consumer market, running on a dedicated CD-I machine with specified hardware and operating system. Several other leading consumer electronics companies, including Sony, Matsushita and Pioneer of Japan, are supporting CD-I. So is Kodak, the US photographic company; its Photo CD system, announced last month, is compatible with CD-I. Motorola, Intel's arch-rival, is making video compression chips for CD-I.
- Commodore, the US microcomputer company, has CDTV (which stands officially for Commodore Total Vision, though the company is quite happy for people to think it means CD Television). Commodore worked secretly on CDTV for two years before announcing it early in 1990. Its launch is scheduled for the beginning of 1991 in the US and UK – a year ahead of the technically more ambitious CD-I.
- Apple, the independent-minded US computer company, is devoting huge resources to its own multimedia strategy based on the Macintosh PC.

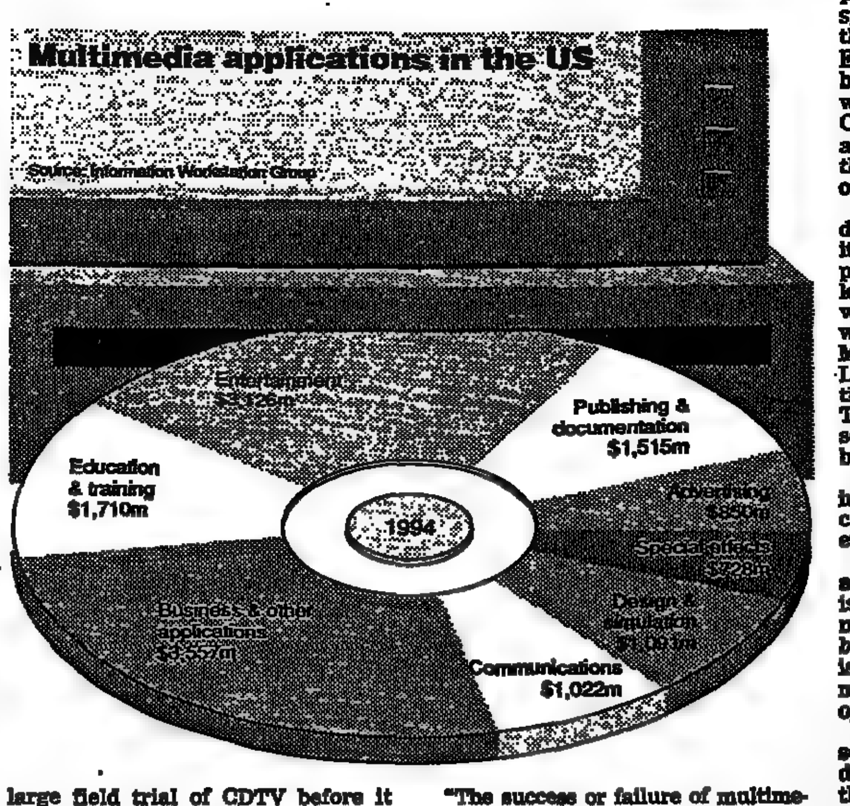
These four systems have different emphases – Intel and Apple are going primarily for the business market, while Philips and Commodore see consumer applications as more important. Even so, they will soon be in head-on competition.

Philips is developing a wide range of business and professional applications for CD-I ahead of its consumer launch. For example Renault, the French car company, will use CD-I to distribute training material to garage mechanics worldwide in their own languages. Philips will launch the first professional CD-I player in London next week, at a fringe event of the Time 90 Multimedia conference.

Commodore too is exploring business applications for CDTV. With the next two months it is planning to send out 2,000 machines to UK consumers, businesses and schools, in a large field trial of CDTV before it reaches the shops in March 1991. A pilot scheme is under way with Derbyshire County Council to use CDTV to teach Japanese and show pictures of Japanese culture in local schools, in preparation for the opening of the Toyota car plant in 1992.

Conversely, Intel is talking about making home DVI systems in collaboration with the consumer electronics industry. The cost of DVI chips is falling fast and Steve Cate, European marketing engineer for DVI, says the company has calculated that a home DVI player could be put on the market today for $1,500. "I think it's going to be a couple of years before there's a multimedia battle in the High Street shops," he adds.

The UK launch price of a CDTV player is likely to be around £700. There will be a simple infra-red remote control unit with which users can manipulate digital video images, text, graphics and audio. The pictures will be displayed on a domestic television set, like analogue video.



"The success or failure of multimedia will be totally dependent on the software available," says Steve Franklin, Commodore's UK managing director. The company is therefore following the example of Philips, Apple and Intel in giving independent software developers the financial and technical encouragement they need to create imaginative multimedia CD applications.

The hardware manufacturers are also working with established publishers on multimedia ventures. Last week, for example, Robert Maxwell agreed with Philips to set up a joint venture company called Maxwell Multi Media, to produce a series of self-teach language courses for CD-I based on the Berlitz method.

"The conditions are right for Europe to become the world centre for multimedia software," says Isobel Pring, a London-based multimedia consultant working for Intel.

At present the various multimedia systems are completely incompatible, though all the companies say they will make their proprietary systems comply with standards for video compression and multimedia being drawn up under the auspices of the International Standards Organisation.

Accepted international standards are likely to bring new players into the field, who will be unencumbered by any residual commitment to proprietary systems. LSI Logic, the Californian chip company, has already announced a set of video compression chips, based on the emerging standards.

The drafting process is almost complete now and new multimedia systems will probably comply with the international standards from 1992. Even then, however, they are likely to be incompatible in practice: a user will not be able to swap a multimedia CD between DVI and CD-I or CDTV and Apple, because the computers that run them will still have different operating systems.

From the viewpoint of the software developer, however, the incompatibility of the rival systems is not an insuperable obstacle. "It would be marvellous if there was just one standard which everyone supported, but the world's just not like that," says Jan Maulden, managing director of the London-based Multimedia Corporation (formerly the BBC's Interactive Television Unit). "The only thing for a software developer now is to be very broadly based."

Maulden points out that it is becoming increasingly cheap and simple to convert programs from one proprietary computer format to another.

The favourite platform for creating and processing multimedia software is the Apple Macintosh. A promising newcomer is Edit One, just launched by Eidos, a UK start-up company; this is based on the Acorn Archimedes microcomputer with a re-writable optical disc.

No multimedia system announced so far can play full-screen full-motion digital video from a CD with a quality that matches analogue videodisc, videotape or television. DVI comes closest; its compression system can squeeze 72 minutes of full-screen video on to a CD, but the quality suffers if there is a lot of rapid movement. However digital multimedia systems can offer good quality video on a "window" covering less than half the screen, because that requires less data to give acceptable pictures.

Steve Cates of Intel says that continued progress in silicon technology and compression software will push DVI picture quality towards high definition television (HDTV) resolution later in the 1990s. At the same time, DVI will comply with agreed international standards.

Another important ingredient of multimedia in the office will be videoconferencing. The workstation of the late 1990s will enable an executive to mix any combination of graphics, sound, text and financial analysis on the screen – and to take part in a videoconference without leaving his or her desk.

Hard luck for video pirates

A NEW satellite entertainment service, offering 80 film channels and other broadcast material for home viewing, is about to be launched in Washington state.

The service, called Skypix, has attracted several entertainment producers – including Paramount, Disney and Universal – partly because of the anti-piracy techniques incorporated in the system.

The technology is based on digital videocompression, which enables up to 80 channels to fit into the bandwidth of a single satellite transponder. It will be broadcast via a medium-powered Ku-band satellite.

The package consists of a small antenna (size will depend on geographic location) and a computerised remote control receiver. The receiver, with an eventual capacity of 250 channels, will decode programme transmissions. Skypix intends to offer the service in the US for around $700 (£355).

Unauthorised copies of films will be simple to identify because when a recording is made on to a videotape, a mark is stamped once every second, making it possible to trace pirated copies to their source. According to Brian McCauley, Skypix president, the company can also scramble the signal in such a way that certain films cannot be taped at all.

The company says that viewers using its system will have access to virtually continuous home entertainment on demand, with the most popular films starting ever 15 minutes. Digital format on both the video and audio stereo will produce sharper reception.

The company faces competition from other videocompression service companies which are developing similar techniques. The regional phone companies, which also want access to the cable market, present further competition.

Skypix is confident that its lead will allow it sufficient time to move ahead, but believes the pond is big enough for everyone. Video rental stores, however, may not feel the same way.

Rio Howard

MANAGEMENT: Marketing and Advertising

Why AGP is keeping its own company

The WPP subsidiary has so far decided not to emulate the global ambitions of its competitors, **Alice Rawsthorn** reports

It was April Fool's Day 1969 when Russ Anspach, Gene Grossman and Joel Portugal broke away from Lippincott & Margulies, one of New York's most prominent corporate identity consultancies, to start up their own business. Their boss fired an appropriate parting shot.

"Mr Margulies asked how foolish these people could be because between the three of them they had 14 kids to feed," recalls Joel Portugal. "He said we would burn, out there."

The boss was wrong. Anspach Grossman Portugal is thriving in its offices above Third Avenue in midtown Manhattan. Its work in the past two decades has involved a string of prestigious corporate identity programmes for clients including Unisys, Texaco, American Express and Gillette.

AGP is something of an anomaly in today's design industry. It is probably the most respected corporate identity consultancy in North America. Yet at a time when its competitors are busily trying to build international networks, it eschews grandiose plans for global expansion. It does do some work in other countries and most of its domestic projects involve international implementation, but everything is executed from its existing offices in New York and San Francisco.

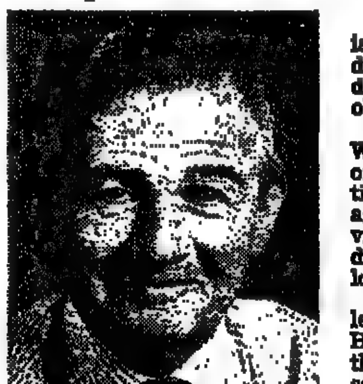
"We have spent hours and hours considering whether to form affiliates in Tokyo or London. But we have always decided against it," says Gene Grossman. "Maybe the nature of our business is such that it is better to operate as a compact, centralised unit."

It remains to be seen whether AGP will stick to this strategy in the long term as the other leading identity consultancies become more internationalised. Landor Associates in San Francisco has virtually completed its international network. Siegel & Gale in New York has established a base in Europe and now plans to move into Asia. Wolff Olins in London is increasing its activity in Europe.

The expansion of these consultancies could increase the competitive pressure on AGP to expand internationally too. But for the foreseeable future it will continue to concentrate on its traditional territory.

"Three or five years from now you might see a different picture," says Joel Portugal. "But right now I can think of lots of failed international design firms and not a single success."

The AGP of today is a compact company with a staff of 50. It is run by Joel Portugal and Gene Grossman – Russ Anspach retired a year ago – together with five other partners. Portugal and Grossman are very different characters. Portugal is a flamboyant figure with a good line in acerbic quips. Grossman is milder in manner.



Gene Grossman: spent hours considering whether to form affiliates

They refuse to disclose details of profits and income. However AGP's competitors are convinced that its margins are between 30 and 40 per cent, far higher than the industry average of roughly 10 per cent.

Two years ago AGP was bought by Martin Sorrell's WPP Group in one of the most lucrative deals in the design industry. WPP paid $12m (£6.4m) upfront and agreed to pay up to $24m in earn-outs – or performance-related payments – by the end of 1995.

"The money was not an issue," claims Portugal. "We did not desire it. We are not driven by it. We are totally oblivious to it."

The real rationale for joining WPP, he says, was that it offered access to an international network of advertising agencies and marketing services companies that AGP can draw on for information and logistical support.

"If we are looking at a problem for Dow Chemicals or Hewlett Packard in Europe then I can pick up the phone to someone like Jan Hall (head of the Coley Porter Bell design consultancy in London) and say 'Hey, wait a second Jan. Give us some help on this one'," says Portugal.

Otherwise WPP leaves AGP to its own devices and that is how it likes it. "It is a free-wheeling thing," says Grossman. "That is one of the reasons why we went with WPP; Martin [Sorrell] convinced us that he would make no demands on us whatsoever."

"He bought this business without ever setting foot in this office," says Portugal. "That is how strongly we felt and how clever he was. He read our lips. Martin has come to the office since then but only when we invited him."

The US corporate identity market, like other areas of the design industry, has become markedly more competitive this year. One reason is the dearth of mergers and acquisitions, which provided an important catalyst for the market in the 1980s. Another is that companies are reluctant to commit themselves to long-term identity projects at a time when the economic outlook is so uncertain.

So far AGP has emerged unscathed. Grossman says AGP has maintained "the same rate of growth" under WPP's ownership. It has won 10 new clients – including Arthur Anderson and K-Mart – so far this year, roughly the same number as in previous years.

The scope of its projects is wider than ever. When AGP first started the main issue for its clients was the backlash against "big business" generated by the rise of student militancy and the anti-war movement.

Now in the early 1990s it is tackling other issues – from environmental concerns to employment affairs. Its recent projects have ranged from Gillette's new Sensor razor to Optima, the first American Express credit card, and a new corporate identity for the new US interests of Rhone-Poulenc, the French industrial group.

"When we started out corporate identity was really all about logos," says Joel Portugal. "Now our clients are more sophisticated in their understanding of what we do. Our business is about helping people to solve problems. There are always new problems to be solved. And that is the fun of it."

Corporate hospitality most cost-effective

David Churchill reports on a way of increasing business and retaining existing custom

Which part of the marketing mix is considered more effective than advertising, exhibitions, direct mail or other forms of sales promotion? Somewhat surprisingly, eight out of ten companies in a recent survey of over 300 businesses from all sectors believed corporate hospitality was a more cost effective form of marketing – even though they spent less than 5 per cent on average of their marketing budgets on corporate entertaining of clients and customers.

Researchers Business Marketing Services believe that in the present tight economic climate, companies may increasingly turn to corporate hospitality as a way of generating new business and retaining existing custom.

"We found that only a direct sales force was considered a more effective marketing tool," says David Dower, a director of Business Marketing Services. "So a combination of a highly motivated sales team and well researched and planned corporate hospitality would be the best way to achieve maximum returns from limited budgets."

The problem, however, is that many companies fail to identify properly their target audiences when planning entertainment. In particular, the researchers found that those companies which used corporate hospitality for attracting new business rather than rewarding old clients achieved good results. "But it needs to be handled with some sensitivity as many companies are worried that this smacks of bribery," adds Dower.

Many potential guests are also becoming rather blasé about corporate hospitality; a day at the races, for example, is still the most popular type of event but one that many managers now feel is becoming a bit hackneyed. A separate survey of 435 executives found that, on average, some seven invitations were refused each year while five were accepted.

Those surveyed were looking for more novelty in the events to which they were invited, with a greater emphasis on participation, such as playing golf or other sports. Many executives, however, also preferred evening events such as theatre trips which included their partners, thus enabling them to minimise the impact on their office and social lives.

Average corporate expenditure on this kind of entertaining was about £190 per head for each event, the survey found. But it still remains to be seen whether companies really believe this is worth the money - or whether conspicuous enjoyment at corporate hospitality events may seem a little out of place as the UK teeters on the edge of recession.

The Effectiveness of Corporate Hospitality, Business Marketing Services, Barley Mow Passage, London W4 3PH. £425.

Customer awareness

Fair trade set to join free-range as a USP

Andrew Jack reports on the attraction of justice

The consumer with a social conscience could soon be on the lookout for a new label on products on British supermarket shelves – if retailers can be persuaded of its value to them. The label bestows an endorsement on products obtained by "fair trade" with the less-developed world.

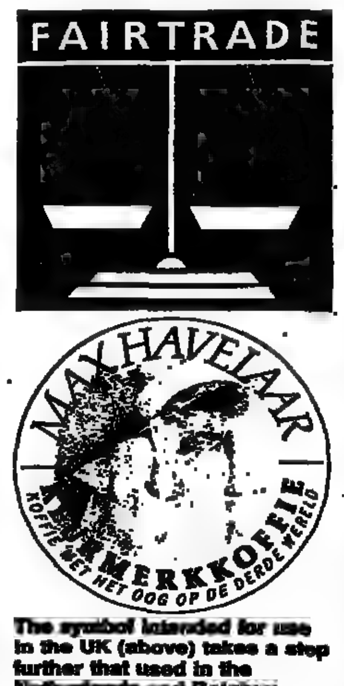
In the wake of the Woolmark, the British Standards kitemark and the recent spate of health- and environment-friendly labels, Fair Trade Mark, a consortium of third world development groups, is beginning negotiations for its own eye-catching symbol.

The group is proposing a seal to identify goods for which producers are paid a fair price, and their employees are treated justly and receive a reasonable wage. The initial focus of the campaign is on tea, coffee and cocoa – commodities subject to wide price variations on which the livelihood of thousands of small farmers around the world depends.

The concept of fair – or alternative – trading is already well established in Britain's charity shops and religious networks. Oxfam and Twin Trading, for example, offer products from small farmers and co-operatives. So does Traidcraft, a Newcastle-based distributor of Third World handicrafts and food. Across Europe, sales of fair trade goods are estimated to be around £50m a year.

But Fair Trade Mark, which includes all of these organisations, is trying to take the idea "from the margins to the mainstream", says Martin Newman, the group's marketing adviser. At the end of this month, it will be approaching UK retailers, wholesalers, manufacturers and trade associations for research support and ultimately test marketing.

To indicate the level of consumer support, the group cites a Gallup poll taken in July 1989, in which 79 per cent of consumers said they would pay more for a product if a higher price meant better wages for producers. Two-thirds of those said they would pay more than 20p above the regular price.



The symbol intended for use in the UK (above) takes a step further that used in the Netherlands and Belgium (below)

The prototype fair trade seal, created by designers Robina Bartaby and Adrian Caddy, shows a set of scales in yellow on a black background. The aim, says Caddy, was to produce a very simple design which is instantly recognisable, and brings together the ideas of justice and trade.

They have drawn on the experiences of the Max Havelaar foundation in the Netherlands, which has been endorsing some brands of coffee with the use of its logo for two years. Havelaar is a character from a nineteenth century Dutch novel, widely known as a critic of colonialism.

The foundation's symbol, a drawing of a Mexican farmer below the Havelaar name, now appears on 24 brands of coffee, five of which are widely available in supermarkets. Details for the expansion of the scheme into Belgium are due to be announced today.

"We wanted a picture of a human being, a real farmer," says Bert Beekman, the foundation's general secretary. The biggest problem was that he did not have control over the size, colour or positioning of the logo on the coffee packaging – factors being taken into account for the Belgian logo, which may be turn out to be more stylised than its Dutch equivalent when the next stage of the marketing campaign is launched later in the year.

Beekman warns that while 30 per cent of Dutch consumers say they support fairly-traded coffee, the amount sold with the Havelaar logo – currently at a 40 per cent premium per quarter kilo – represents only 2.2 per cent of the market. This share has been gained in just two years, however.

He also points out that retailers have been reluctant to stock decaffeinated fair trade coffee – likely to appeal to many more of what he calls "progressive" consumers – arguing that the sales increase would be too small to justify the extra shelf space.

In the UK, Fair Trade Mark is likely to face similar problems. Richard Pugh, technical manager for Tesco and mastermind of the chain's recent addition of organically grown produce and free-range chickens and eggs, says: "Fair trade sounds more like a question of a moral judgment. I need the weight of scientific opinion to adopt a new idea with confidence."

But he adds that the decision to stock new products is increasingly the result of a partnership with customers. If they want fair trade goods, "they will tell us," he says.

A spokesman for the Co-operative Wholesale Society says it is always receptive to new ideas, but that a new trade mark will have to stand out, since so many confusing logos already exist. It might prefer to display the logo on the shelf rather than the packet.

Above all, he warns, "without sufficient promotion, fair trade products will mean nothing to the consumer. A logo is only useful if it gets so much publicity that the products it endorses become the norm."

Berlin PO

GLASGOW ROYAL CONCERT HALL

The formal rites of initiation over, Glasgow's new hall can get on with the business of supplying the city with a regular and varied diet of events. The cream of its first autumn of orchestral concerts is contained within a "World Orchestra" series – the Bolshoy, Leipzig Gewandhaus London and Israel Philharmonics are expected over the next two months. The series has been launched this week with two concerts from what is still the glossiest import of all, the Berlin Philharmonic, conducted by Kurt Sanderling.

In his report of the official opening of the concert hall Richard Fairman praised its its sense of inner space and the overflowing richness of the sound. The acoustics have evidently been tweaked a little since then; from a seat at the back of the steeply raked circle the sound was by no means overwhelming, or even fulsome, but definitely on the cool side, analytical, highly revealing. The registration of some details was extraordinary, though that could prove too much of a good thing: climaxes in which, for instance, the xylophone stays resolutely *detached from the main body* of sound, accompanying lines taking on lives of their own.

There are many orchestras, too, which would find such microscopic examination of every phrase distinctly unflattering. The Berlin Philharmonic, of course, is not one of those. One can report that in its post-Karajan state – *not* yet quite bearing the Abbado imprimatur –, the unanimity of phrasing and tone colour, the perfect finish of every element, is as astounding as ever. The string tone seemed not as opulent as in the past, but whether that was just a function of this hall, or of Sanderling's more purposeful, unselfconsciously expressive approach was hard to judge.

Certainly the leaner textures made Haydn's Symphony No 82 more acceptable on Tuesday than it ever would have been under the previous regime; it is still not close to one's ideal of Haydn playing – nor, it *must be said, is Sanderling* a model Haydn conductor – but the spick-and-span rhythms and crystalline articulation did a great deal to mitigate the effects of such a large body of strings and opulent woodwind sound.

Alongside Shostakovich's Fifth Symphony the unsatisfactory Haydn paled; Sanderling conducts these symphonies with more lucid directness than any other conductor alive. His view of the Fifth has no space for ambiguities in the finale. He views the work in a single arc from first-movement tragedy, to last-movement triumph: his choice of tempo – neither slow enough to be menacing, nor fast enough to be patently satirical – as well his lingering fondness for the oasis of calm before the ultimate peroration, admit of no other scenario.

Each movement contained its own quota of beauties – the jewel-like *oboe solo* towards the end of the first was perhaps the evening's most priceless – unified always by Sanderling's structural grip. With strings as refined as these the Largo becomes a shifting web of colours, ever more poignant, yet never lachrymose. With such a plethora of recorded Shostakovich around, it seems extraordinary that no one has asked Sanderling for his versions of the symphonies. They deserve permanence.

Andrew Clements

CINEMA

Agonised destruction

NIKITA
Luc Besson

ROBOCOP 2
Irvin Kershner

COMMUNION
Philippe Mora

THE MUSIC TEACHER
Gerard Corbiau

HEART CONDITION
James D Parriott

"Can you give me a definition of grace?" asks Jeanne Moreau of the title heroine of the French film *Nikita* (Anne Parillaud). Nikita looks baffled, as what young woman would not. Especially if she were a government hit-person being trained by *Moreau and others* in the assassin's art. Plucked from her life sentence for murdering a policeman in a drugstore robbery, Nikita now lives and learns her craft in a sort of giant lock-up warehouse lit with the moody azure sheen director Luc Besson favoured in *Subway* and *The Big Blue*. Here her handsome supervisor (Tcheky Karo), sided by Miss Moreau, prepares her for a life of danger, death-dealing and disguise.

No wonder Nikita seeks a state of grace. Thrillers about agonised enforcers, who strickenly straddle the shadow-line between right and wrong, have been with us as long as cinema itself. Though both *Nikita* and its companion action romp this week *Robocop 2* give a casting twist to the main role – a pretty woman in one, a semi-robot in the other – they elsewhere hew to the essentials of the genre. In the cinema of the Law-enforcer Agonistes, there are two symbiotic rules. The protagonist must sow as much destruction as possible in the two hours allowed. But he, she or it must do so with an expression of deep anguish or sadness, as if posing for the *painter Masaccio.*

The suspicion with such films is that we are being sold a *walpurgisnacht* of violence with a small papal indulgence attached in the form of the main character's remorse. Never mind how many hoodlums hit the deck: it hurts the hero or heroine more than it *hurts them.* So while Mlle Nikita romps across Europe half-in-tears to dispatch a Mr Big here or a Mr Bigger there – the poor girl even has to assemble her own shotguns in locked hotel bathrooms while puzzled boyfriend Jean-Hugues Anglade paces outside – Mr Robocop (Peter Weller in form-fitting aluminium) *blasts* across Detroit, USA, wearing the expression of a forlorn Saint Sebastian. Even amid *state-of-the-art* mayhem, these films insist, states of grace may be maintained.

Nikita is the perkier movie, mainly because we never know where it will head next. Will the personable Mlle Parillaud, a sort of Jane Birkin with make-up, become more obedient and robotic as her masters wish? Or will she rebel and run *interestingly amok?*

These questions assume, of course, that we can find her at all in Besson's iridescent, shadow-washed wide-screen images. Every shot is sleekly distorted as if reflected in the side of a *limousine. Indeed with most of* the characters being engulfed by the compositions (as in *The Big Blue*), one gives a large cheer for the brief and individualistic appearance of Mlle Moreau. Miss M, determinedly wearing autumn-brown colours in a gunmetal-blue film, also sports a face whose swags and *fissures show that in great actresses* a state of grace can exist without plastic surgery. Never mind all that youthful glamour that can get lost in the high-sheen visuals. It takes age and character truly to leap out from the screen and seize us by the throat.

The characteristic of being a *robocop is that you cannot* age, you can only develop metal fatigue. Or in the case of *Robocop 2* plot fatigue. Last seen raising hell with impassive feature in director Paul Verhoeven's accomplished original, our steely hero is now delivered over to a new director (Irvin Kershner) and to a screenplay *that inspirationlessly* recycles the old tropes. Here again are the experimental robot cops who collapse or explode on testing. Here is Dan O'Herlihy rumbling away as the Detroit super-mogul who is privatising everything in sight, including the police force. Here is patrolwoman Nancy Allen once more caring for "the man behind the metal." And here are the gun battles and action showdowns, this time so noisily overextended that earplug sales should soar near any cinema showing the film.

Indeed the only continuing pleasure of the series is actor Peter Weller. Could *you* suggest a quasi-tragic humanity if encased in metal and required to adopt the walk of a rheumatic chicken? Not to mention the speech patterns of a Dalek. *Mr Weller can. He hereby wins* the Jeanne Moreau State of Grace award for advanced serenity in the face of *sci-fi* hokum.

★

For filmgoers themselves, a state of grace is an elusive thing. Sometimes it can take the form of complete unconsciousness. *Communion, for* example, kept putting me to sleep. I think it all began with the introduction of a hypnotist played by Frances Sternhagen.

How fatal in an uncompelling film about aliens to have a character who *says* "You are feeling very sleepy." Next thing the audience knows, it is waking up crying "Where am I?" and wondering why the tale of a New England novelist (Christopher Walken), who thinks he has seen extraterrestrials at his log cabin, appears to have advanced not a *jot since they were last* awake.

The reason is that as directed by Philippe Mora and written "from his own experiences" by Whitley Strieber, the film keeps going around in circles. Fact and surmise chase each other's tails. And alien-sighting set-pieces awash with bright lights and rattling furniture come *round* as regularly as a lighthouse beam. A small cheer, though, for Mr Walken, whose acting is becoming more baroque than anyone else's in America. He seizes the attention here with as fine an array of tics, shrugs, blinks and airy, distrait gazes as we have seen since the late Geraldine Page.

★

Gerard Corbiau's *The Music Teacher* has Belgian bass-baritone Jose Van Dam bravely adopting the *parlando* of straight acting. Would that the film matched his courage.

Forlorn Saint Sebastian: Peter Weller in 'Robocop 2'

Amid fuzzy, apricot images, a plot unfurls about a retired opera singer (Mr V.D.) training a boy and girl to hoped-for greatness. Will they win the fairy-tale singing contest in the rival nobleman's chateau? Will Mr V.D, lovestruck by the girl, know when to let go? The plot spreads itself like treacle, unthinned by irony, un-sharpened by wit.

It is still better than *Heart Condition.* We cannot imagine how this comedy avoided *press-ganging* by the video market, whose swarthy, brutal minions walk about the night streets mugging enfeebled films before they have reached the large screen. Here Bob Hoskins is an American policeman whose profane, racist and guzzling life-style is rewarded with a heart attack, whereupon he receives a transplanted organ from a goodhearted black lawyer (Denzel Washington). Mr W becomes Mr H's attendant ghost and – but wait, we have seen this plot already, have we not? In *Ghost*? Last week? Yes indeed, and I fear better done. James D. Parriott wrote and whimsically *directed*

Never mind. The London Film Festival opens four weeks hence and you may begin booking now for a programme that groans with quality and quantity. I shall update you more freely in coming weeks, but here is a Top Ten of recommendations to begin with.

Miller's Crossing, dark and serpentine thriller from the Coen brothers (of Blood *Simple*); *The Garden*, Derek Jarman's brilliant modern Passion, filmed in surreal images and sunset colours; *The Ear*, deft Czech black comedy about the chill of Stalinism; *The Nasty Girl*, Nazism-raking satire proving there is many a slip 'twixt theory and practice in a "united" Germany; *My Private War*, eye-opening German documentary about life on the Russian front in *1941*; *Street Boys*, pulsing story of crime and delinquency from Italy; These *Foolish Things*, Bertrand Tavernier's tender tale of family conflict starring Dirk Bogarde and Jane Birkin; *Metropolitan*, pixillated comedy about medium-high society in New York; *Mindwalk*, quirkily enthralling talk-piece with Liv Ullman and Sam Waterston philosophising around Mont St Michel; I, The *Worst Of All*, darkly witty tale of a saint (Mexico's Saint Juana of the Cross).

Tickets from the National Film Theatre. Festival start date, November 8th. Mark your cards now.

Nigel Andrews

Femme Fatale

Femme Fatale is a poignant little tale about a man who escapes the pressures of modern life, not in his garden, not by making scale models of fighter aircraft, not by beating up his wife, but by dressing in womens clothing. The triumph of Snarling Beasties production (at The Place, WC1 until the weekend) is that it approaches this phenomenon in an unsensational, almost, mundane manner.

Jimmy (Mark Kilmurry) is in no way camp. He enjoys making love to his wife Georga (Debbie Isitt) and is as outwardly normal as any computer programmer can be. Yet beneath his suit there lurks womens panties and he only really relaxes when he disappears into the closet to wear the full female rig and become Jessica. Eventually he confesses to his wife who can cope with it as a game but loses control when she realises that Jimmy/Jessica is over-dosing on transvestism, glorying in shopping trips in drag and letting it take control of his life. There is no solution; indeed no *conclusion.* The short 70-minute two hander ends with the couple in agonised confusion. A not uncommon modern problem has been given a theatrical airing. It might help some; it certainly informs most.

Snarling Beasties wallow in theatricality. The couple are clad in crimson, as are the minimal stage effects. Music, truncates their brief bursts of conversation, underscoring the normality of love. There are mimed rows; frenzied dumb show love making. But then Jimmy's theme tune, "Here she comes", seizes his soul, leading him towards the cage at the back of the stage where his female part lurks. At the start he struggles against the transformation as Dr Jekyll struggles against Mr Hyde but gradually he surrenders himself completely.

Perhaps we need a resolution: but as a dramatic plunge into the unknown it could hardly be bettered. Debbie Isitt wrote and directed *Femme Fatale.* Mark Kilmurry is convincingly butch and normal, even in his little black dress.

Antony Thorncroft

Die Zauberflöte

GLYNDEBOURNE

Glyndebourne Touring Opera opens its 1990 season (October 9 – December 1) in the home theatre, with the Peter Sellars production of *Die Zauberflöte* first seen at the festival last May.

On Tuesday's evidence the touring version (rehearsed by Stephen Medcalf) scores hugely over its dismally plodding summer parent-performance in one all-important department: the GTO conductor, Ivor Bolton, is a livewire young theatre-man, who whizzes the *music forward with heroic* determination. He has a similarly disposed young orchestra to work with – the GTO Touring Orchestra, super-energetic, at times slightly brash in corporate tone-quality – and he squeezes every drop of vitality out of the score. In the desert of boredom which Act 2 *becomes in this* dialogue-less production, his fast speeds (which sometimes clip the heels of his singers' phrases) take on an air of desperation. A conductor here faces insuperable odds in keeping the opera alive, but Mr Bolton's unflagging efforts, though vain, spoke well for him.

I look forward to encountering him in a real *Flute* production, as I do the Papageno *of Gerald Finley*: again, this was a robust improvement over the summer version, since Mr Finley sings and acts with captivating freshness, elegance, and charm. (The character of Papageno is the main victim of a dialogue-less *Flute*: this point is now beyond argument.) The *touring-company* Tamino, Barry Banks, cuts a touchingly credible figure, and sings vividly and fluently, though not yet with much colour-variety.

Eileen Hulse's Queen – an anonymous young-mum figure in pearls and handbag – is sweetly musical, not *sufficiently incisive*; Amanda Roocroft's Pamina is alarmingly unfinished (this enormously talented and much-ballyhoo-ed young soprano urgently needs to match her registers, notably the metallic top and the muddy bottom). The main musical flaw of Tuesday's performance was the casting of a woefully inadequate bass as Sarastro.

I went along to Glyndebourne hoping that my *original* response to this production would be mitigated, perhaps even transformed. Alas! the improvements in musical momentum and attack make its failures, if anything, even clearer. The most important of these is the failure to live up to its own premises: a promising style of updating is *torpedoed by* lack of follow-through (and by a hopelessly limited, cramped acting area), lack of self-devised logic, and, above all, lack of dialogue.

Under all the production's postures, pretensions, and hand-jive, there can be found, indeed, a curious semi-staged concert *performance of Die Zauberflöte* given in front of mildly attractive changing screens: a startling, infinitely depressing saga of wasted opportunity.

Max Loppert

Out of Order

SHAFTESBURY THEATRE

Ray Cooney's new farce takes a while to warm up, but towards the end of the first act begins to have its moments. The second and final act is funny, without quite being hilarious, almost throughout. The plot, and indeed the set, are considerably better than the dialogue.

Out of Order, as the title suggests, has a Westminster background: actually, the Westminster Hotel where a Tory junior minister, played by Donald Sinden, is caught in a compromising position with one of Neil Kinnock's secretaries.

The political jokes are execrable: for example, at a moment of maximum *embarrassment, "This is worse* than Question Time." Or again: "One more scandal for the Conservatives, and we'll have fallen behind the Liberal Democrats in the opinion polls."

But forget the political froth: this is traditional farce with all the conventional ingredients. Telephones ring inconveniently: there are plenty of doors to go through, bedrooms to retreat to, cupboards to hide in and a corpse (which turns out not to be a corpse) to be hidden. One additional device raises it above the ordinary. This is a sash window where the sash is unreliable and can lead to nasty accidents for anyone arriving or departing by the window rather than the door.

The characters, too, are largely stock, except perhaps for one. This is not Sinden himself, who has a relatively straight role, though he provides some marvellous facial expressions. It is his parliamentary private secretary, George Pigden, played by Michael Williams.

Pigden is about half his minister's size and plainly belongs to that new breed of Tory MPs who have not been to public school or university, yet also lacks the sharpness of (say) a Norman Tebbit.

As the evening goes on, *Out of Order* becomes Pigden's play. He goes to the brink of seducing one woman after another, including the minister's rather glamorous *wife* (Wanda Ventham) who, of course, turns up in the second act. The scene where he declares his passion for her in order to get her out of the way, only to find that it is reciprocated, is a triumph. It is cleverly repeated a few minutes later when Pigden has to do the same thing to his sick mother's nurse (Jacqueline Clarke).

For the rest, there is an elderly doddering waiter played by Brian Murphy and one of those officious hotel managers (Dennis Ramsden) without whom a *farce* of this kind is scarcely complete.

Ray Cooney directs himself, but it is Williams's Pigden and the use of the window that you will mostly remember.

Malcolm Rutherford

Phoenix Dance

SADLER'S WELLS

Phoenix Dance Company is a product of the remarkable dance culture and exceptional dance teaching in Leeds. It was *formed* at the beginning of the 1980s as an ensemble of young black male dancers who had been educated at Harehills Middle School. Its immediate success was owed to the splendid physical skills of its members and to a directly communicative repertory that seemed as much a reflection of the *company's social identity* as of its expansive and finely-tuned style of movement.

This year, with the addition of four women dancers to complement its six men, Phoenix has become an ensemble destined for "middle scale" (the official jargon) performance, and on Tuesday night it opened a season in Rosebery Avenue.

I have greatly admired the company in the past for the clear purpose and taut energy of its dancing. These remain as fine as ever, – this is an ensemble of admirable dancers, strong in skill, sure in utterance – but the *repertory* now on show is, for the most part, miserably inadequate. It does no more than leech on to the dancers' abilities, nowhere enhancing them, or challenging them on any but the most exhausting terms as choreography which they must seek to make interesting.

I can find no excuse for Michael Clark's *Rights*, in which idiotic costumes (by the choreographer) mince and flaunt about the stage and occasionally cluster together while a disconsolate little voice recites a litany of things it finds distressing. There is even less excuse for Darshan Singh Bhuller's *Shock Absorber*, which is as aimless and protracted as the man he places at the back of the stage to trudge interminably on an exercise machine. Tom Jobe's *Tainted Love* (kitsch title of the year) is – save the mark – about AIDS, and contrives to *turn tragedy into a show-biz* routine.

The two other pieces in the programme hold promise – not least because they use music rather than pop-trash. I thought Simon Rice's *Manic* very amusing when it was a brief and hyper-active solo which he performed himself. Now expanded for Phoenix, it looks over-extended as an outburst of the jitters set in a hospital, the dancers in candy-floss wigs, impelled in their twitching by the torrents of notes from Conlan Nancarrow's player-piano studies.

Philip Taylor's *Haunted Passages* is about the disturbing thoughts that may precede sleep. It uses Britten's *Lachrymae* for viola and piano and a cast of three dancers (Ricky Holgate especially impressive) in an exercise in tension and night terrors. Its significance in this programme is that is suggests – as does the Simon Rice capriccio – a thematic and dynamic purpose to movement, its performers treated as artists rather than as cyphers to be manipulated with all the aesthetic awareness of a computer. (The Clark, Bhuller and Jobe pieces could have been made by a computer – a mis-programmed one).

The abiding impression of this evening was of talent confined and curtailed by modish preconceptions about what audiences will enjoy, *or want. The better* the choreography, the better the dancers – and the better the audience – is still a sound rule – and Phoenix merits the best.

Clement Crisp

ARTS GUIDE

October 5-11

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).

Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.

Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery. It houses an important collection of paintings and drawings by *Claude Monet* and his friends. Monet's love of London is represented by the Houses of Parliament. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.

Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French andforeign, cover a wide range of periods and styles and presenttheir prestigious *exhibits* in a *mise en scene* evoking thesplendour of the 18th century. Ends October 7.

Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Euphronios and his friends of the Pioneers Group bring invention and originality to their representations of mythological subjects and scenes from everyday life. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205166).

Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honore (42895881).

Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, *two sculptures*, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, Wed late closing, ends January 14.

Picasso Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, *such as* Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712421).

Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac defies time. 77, Rue de Varenne. Closed Tue. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through *200 Paleontological exhibits*. Daily ends Dec 30.

Musée d'Art Moderne, Place Royale. The Goldschmidt Collection odern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday, ends December 16.

Galerie Alfican. Scarlet Nikolska, memories of Prague, recent paintings. 2 Grand Sablon. Closed Mon.

Musées Royaux d'Art et d'Histoire. *Inca-Peru an exhibition* that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Fundacion Juan March. Cars, Andy Warhol's unfinished series ofcar drawings and paintings, *commissioned by Daimler-Benz* on thecentenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.

Barcelona

Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme oforiental philosophy in an interchange with the Kettner Gesellschaft in Hanover. Closed Mondays. Ends November 12.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Ends December 9.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747). Over 100 works by a late-flowering baroque painter, born in Bologna, whose works are now considered on a par with his distinguished predecessor, Guido Reni. His subjects range from the mythological, arcadian (endless wrestling nymphs and cherubs), to crowd scenes on local saint's days – on show is one of his best-known works in this series, the Fair at Poggio Caiano) and religious works, such as The *Seven Sacraments series*: the latter lent by the Staatsgalerie in Stuttgart, this exhibition's next stop. Crespi's lavish and sensuous style owes much to Titian and Veronese, while his tendency to miniaturise the figures foreshadows the delicate works of another Venetian, Longhi, and the dramatic use of light *and shade is not unlike that of* Goya, 50 years later. Ends November 10.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 28.

Frankfurt

Jüdisches Museum, Untermainkai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner, all influenced by Van Gogh.The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 41-4300, Essen 1.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until November 25.

New York

Brooklyn Museum. From pastoral *landscapes to moonstruck* mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens September 25.

SALEROOM

Bargains at Bonhams

The nervousness of the art markets was well illustrated in two auctions this week at the far ends of the earth. The major sale at Christie's Swire in Hong Kong on Monday, of Chinese ceramics, totalled £3.2m, but with 40 per cent unsold, while Bonhams in London tried its hand at post War and contemporary art on Tuesday evening and came unstuck, with a total of £654,676 and 47 per cent unsold.

Top price in Hong Kong was the £292,000 (on target) paid for a *Ming blue and white* "palace" bowl. A Doucai and famille rose moonflask, of the Qianlong period, did well at £277,741. Until recently Chinese works of art of the top quality had escaped the general depression in expensive antiques.

Bonhams venture into modern art came at a difficult time; but there were bargains for buyers. "Lucas", a 1985 *abstract by Gillian Ayres*, was acquired for £8,800, way below its £12,000-£18,000 estimate. "Sappho" by the same artist made the same price, in line with its low estimate. "Celtic Lovers" by John Bellany exceeded its forecast at £5,720, but a major painting of his father by the same artist, estimated at up to £12,000, attracted a top bid of £7,500 and failed to sell.

Bonhams need not be too disappointed. Sotheby's covered roughly the same ground yesterday and totalled £342,540 with over 45 per cent unsold. Obviously buyers are currently very cautious. The dealer Bernard Jacobson has faith in Peter Lanyon, paying £17,600 (top estimate £6,000) for his "Godrevy Lighthouse".

Russian art is proving something of a disappointment for salerooms and dealers. In its morning session *yesterday* Christie's brought in £654,676 for Russian Imperial art but with almost a quarter unsold by value. A portrait of Prince Feliks Feliksovich Iusupov by the noted 19th century portrait painter Serov sold near the bottom of its estimate for £60,500, but an album of early 19th century watercolour views of St Petersburg and northern Estonia did well at £57,200.

In the first of Sotheby's series of Islamic sales a Timurid jade cup with a gilt inlay, of the early 15th century, far exceeded estimate at £132,000. The morning session made £382,000 with almost 29 per cent bought in.

★

By some mischance the new £2m Henry J and Drue Heinz Archive and Library was credited to the National Gallery. It will, of course, provide more space for the National Portrait Gallery.

Antony Thorncroft

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Thursday October 11 1990

The war of nerves

WITHIN A week or two the build-up of US forces in Saudi Arabia and the Gulf will be complete. From then on President Bush will have the ability, not only to defend Saudi Arabia against any Iraqi attack, but also to take the offensive against Iraq if he so chooses.

He has been careful not to rule out this "military option", and a growing number of voices are now urging him to take it. The argument is that time is running in President Saddam Hussein's favour, and that decisive action must be taken to get him out of Kuwait before it is too late. Not surprisingly, that argument is being put with special urgency by the Kuwaitis themselves, but it comes also from the Egyptians, Saudis and other Gulf rulers. They fear that the longer the conflict is drawn out the harder it will be to keep it separate from the Arab-Israel conflict, and that they will be caught on the Israeli side.

Those fears are by no means fanciful. But it still has to be asked whether the risks involved in war are any less. Not much would be left of Kuwait after it had been liberated by force. If he has to fight, Mr Saddam will almost certainly find a way to involve Israel, and even failing that the Arab regimes would have to face the political consequences of being accomplices in the virtual destruction of an Arab state by US forces. No doubt Iraq's weaponry would be destroyed in the process, but how Iraq would be governed thereafter, and how sufficient stability could be restored to the region to enable western forces to withdraw, are questions to which no clear answers have been given.

Other means

That does not mean that military action can be ruled out. It does mean that military action should not be the preferred way of getting Mr Saddam out of Kuwait so long as other means still have a chance of success. At this stage it is too early to say that economic sanctions have failed.

No one can say with certainty that they will succeed, or how long they will take if they do, or even what form eventual "success" would take. The ideal would be removal of Mr Saddam by his own subordinates, but perhaps more likely is a gradual descent into chaos, ending in war either as Mr Saddam's last resort or by decision of the Allies to go in and restore order, with Iraq's ability to fight much diminished. Historically, where sanctions have succeeded, it has been by weakening one side in a war rather than by avoiding war altogether. No doubt this war of nerves is unpleasant for the armies waiting in the Saudi Arabian desert. But for the Iraqis, encircled and deprived of life's creature comforts, it must be even less pleasant. To assume that time is on their side is defeatist.

Damage limitation

Meanwhile, at least two things can be done to make time less damaging to his opponents. Financially, much more can and should be done to help those countries worst affected by sanctions, and by the high oil price: Turkey is a prime candidate on both counts.

Politically, the Arab-Israel factor must be defused. There is indeed no linkage between the two conflicts, in the sense that Kuwait is in no way responsible for Israel's occupation of Arab territory, and should not have to wait for its own freedom until the Israeli-Palestinian conflict is resolved. But equally clearly there is linkage in the minds of the Arabs, who see the West eager to enforce UN Security Council resolutions and to prevent the acquisition of territory by war in the one case, yet unwilling to go beyond mild verbal condemnation of the occupying power, coupled with lavish economic and military support in the other case.

Nor is linkage avoided by proclaiming that the Palestinian problem can be addressed only after the Gulf crisis is resolved. In fact that establishes an additional linkage, and a perverse one, whose main effect, especially if the Gulf crisis is going to take some time to resolve, will be to increase Arab scepticism about western good faith. Neither conflict's resolution should be made to wait upon the other. Both should be addressed with the same urgency and seriousness, and at the same time.

Wrong priorities in housing

THE scheme announced at this week's Conservative Party conference to convert council rents into mortgages is a logical extension of the "right to buy" policy launched a decade ago by Mr Michael Heseltine, then UK environment secretary. It will give tenants who cannot afford outright purchase a chance gradually to build up an equity stake in their houses.

This widening of opportunities for low income families is to be welcomed. But it would be unwise to expect the scheme to have more than a marginal impact on Britain's highly inefficient housing market. It will not reduce homelessness nor curb the excessive fiscal privileges of middle class home owners. It will do little, if anything, to improve job mobility. It will not revive the still sickly private rented market. These, rather than the dogged promotion of ownership for its own sake, ought to be the housing priorities in a fourth Thatcher term.

The original right to buy scheme succeeded beyond the expectations of ministers: in the past decade about 1.2m council houses were sold while the proportion of families owning their homes rose from 57 per cent to 69 per cent, one of the highest ratios in the developed world. However, the scheme's success partly reflected soaring house prices and moderate interest rates. In today's very different financial climate, mortgages of any description look a much less attractive proposition. Many former tenants are now labouring to service debts that exceed the value of their former council homes.

Revitalising estates

The rents into mortgages scheme is yet another attempt to revitalise decaying and crime-ridden inner city council estates. It follows abortive efforts to launch Housing Action Trusts (HATs), which were the great hope of the 1987 Tory election manifesto. The aim of HATs was to transfer responsibility for the running and refurbishment of estates from local authorities to businesslike trusts. But the government has been unable to generate support for the policy in spite of offering financial inducements. Low-income tenants regard HATs as a first step to the reintroduction of profit-seeking private landlords, who would charge more than local authorities while offering less security of tenure.

Rise in homelessness

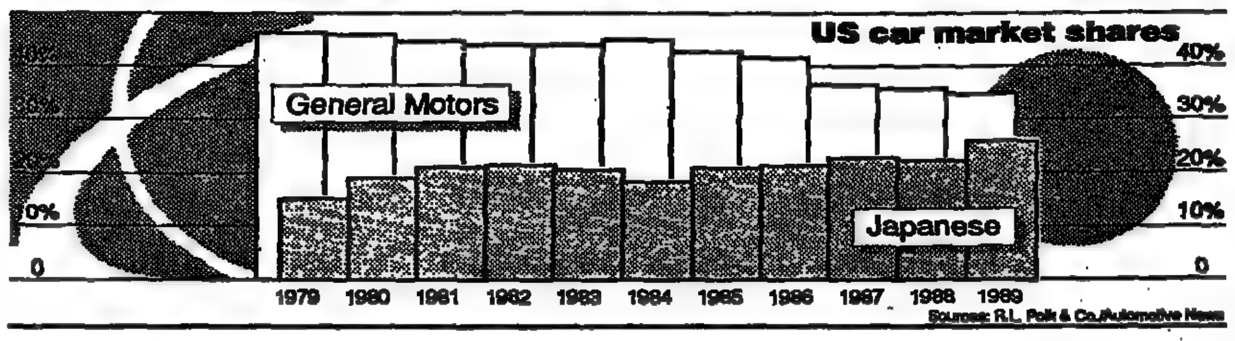
The government's dogmatic desire to curb the role of local authorities and boost private ownership at any price has militated against rational decisions in housing. It has obscured the fact that the public and private sectors should play a complementary role. Home ownership most clearly makes sense for middle and upper income families in stable circumstances; even then the illiquidity of housing as an asset can pose serious mobility problems during recessions. In most economies, the private rented market is regarded as the best bet for people on moderate and variable incomes who need to remain mobile. Young workers normally fall into this category. The public and voluntary sectors provide a safety net for those on the lowest incomes, such as the elderly and welfare recipients.

Yet in the past decade ministers have drastically reduced the supply of low cost public housing (newly constructed units fell from 104,000 in 1978 to just 22,000 in 1989) while failing to revive the private rented sector. One consequence has been a serious rise in homelessness.

. The government should tear down the huge, decaying council estates, rather than attempt to shift financial responsibility to the unfortunate tenants, and expand the construction of small, modern public housing. This could be largely financed by the progressive elimination of artificial incentives for home ownership: at current interest rates, mortgage interest relief alone costs £8bn a year. The elimination of these tax breaks would automatically improve the economic attractions of private renting and thus boost job mobility. At nearly 70 per cent, the home ownership ratio in the UK is almost certainly too high; ministers should start bragging when it begins to fall and the British housing market begins to resemble its more efficient counterparts in continental Europe.

After five years on the drawing board, General Motors' challenge to its Japanese rivals is being launched, writes **Kevin Done**

Lift-off for GM's Saturn



It is high noon for General Motors, the world's biggest car maker. Seven years ago it set out to prove to sceptical American car buyers that it could design and build small cars in the US, as well as or better than the Japanese in Japan.

Today the result of all the effort is unveiled, the fruit of a project originally billed as a "no-year" development programme, a "clean-sheet undertaking" to produce a range of small cars – in the US and with unionised labour – that would be cost-competitive with the lowest-cost imports.

Given the name Saturn, a description that summed up all the high-technology ambitions of the world's biggest industrial corporation as it struggled to come to grips with the Japanese onslaught, the project was to use "start-to-finish innovation".

Finally, after an investment now close to $4bn and a ground-breaking deal with the United Auto Workers union, the first cars are ready for the only test that matters – in the marketplace. Today GM is taking the wraps off the first products of its Saturn division, a range of four-door saloons and sporty coupés, priced aggressively against the main Japanese competitors, such as the Toyota Corolla, the Honda Civic, and the Mazda Protege. The Saturn cars will go on sale first in California – the bastion of import cars in the US – in the south and in the south-east, on October 25, and the launch will gradually spread across the rest of the US.

Saturn, founded formally as a subsidiary in 1985, is the first new nameplate added by the company in the US since Chevrolet joined GM in 1918. Named after the rocket that carried American astronauts to the moon, the project's goal was always "to design an American vehicle that can beat the Japanese in the small car race". And with a 1.9-litre 16-valve all-aluminium engine the Saturn cars appear to have achieved performance, ride, handling and styling standards to match their Japanese and European rivals. They are certainly unlike any traditional American cars.

In its time the Saturn scheme has been put down by GM's domestic rivals as "the hype of the century" in the words of Mr Lee Iacocca, chairman of Chrysler and a former president of Ford.

Now GM is ready to launch its riposte to such attacks, and in the process to meet head-on the prophets of gloom that have forecast that the company, with worldwide car sales last year of 5.74m, may not last to the end of the century in its present form.

Leading US analysts have maintained that GM was condemned to suffer a continuing erosion of its domestic US car market share – which has already fallen by a quarter from 46.3 per cent in 1979 to 34.7 per cent last year – and that it was unlikely to shake off easily its status as the high-cost US car maker.

Saturn is a gambler's throw of the dice, in which GM has staked everything in terms of its credibility in the US in the small car (sub-compact) segment of the market. If it fails, the traditional US car industry can probably kiss goodbye to small car making in America.

If Saturn succeeds, however, it could mark the moment when General Motors finally began to pick itself up off the floor and halted the seemingly irresistible takeover by the Japanese. It is an immense task. Japanese car makers, led initially by Toyota, have been developing new, streamlined techniques for car making that are becoming known in the west as "lean production" – as against mass production – since the early 1950s.

The development of the Japanese presence in the US has taken on daunting proportions. Japanese-badged cars captured 27.3 per cent of the US new car market in the first half of the year. The transplants, including joint ventures with US car makers such as NUMMI (Toyota/GM) and Diamond Star (Mitsubishi/Chrysler) accounted for 21 per cent of total US car output in the first six months of 1990 compared with only 14.8 per cent a year ago. Last year a Japanese car, the Honda Accord, was the best-selling car in the US, and both Honda and Toyota are threatening to oust Chrysler from third place.

The expectations imposed on the Saturn project at different stages in its development have been enormous and exaggerated, and undoubtedly they were initially encouraged by GM's management, led Mr Roger Smith, chairman through the 1980s. He was the pace-setter in what is seen by many auto industry analysts as GM's ill-starred love affair with high technology in the 1980s. It appeared to be trying to cure its low-productivity, low-quality, high-cost woes through excessive automation and the use of frontier technology, rather than taking a close and painful look at the way the corporation managed the car-making process.

Mr Smith claimed that he was preparing GM for the way into the 21st century, but for some he appeared to have forgotten the route through the 1980s and 1990s.

Can Saturn now prove that GM does have a plausible route-map for the 1990s after all? The ambition has certainly always been there. At the beginning of January 1985 Mr Smith announced the formal establishment of Saturn with the ringing words: "We expect that what we learn with Saturn will spread throughout GM, improving the efficiency and competitiveness of every plant we operate and every product we build. Perhaps more than any other factor we believe Saturn is the key to GM's long-term competitiveness, survival and success as a domestic producer."

As GM has nervously approached the launch date it has tried to play down much of the early hype. Along the way the initial Saturn capacity was reduced to about 240,000 cars a year for phase one from an earlier mooted 500,000. That could come one day, but in a second phase and only if Saturn is to be sold overseas – in Europe and not least in Japan, the final coup. The investment in the plant for phase one was limited to $1.9bn. Phase two would follow only if phase one was successful.

But whatever modesty has crept in during the past five years the eyes of the world auto industry will still be firmly focused on Spring Hill, Tennessee, in the coming months to judge whether GM is meeting its initial targets. GM chose to build Saturn in Tennessee in the US sunshine-belt, far from the troubled, old GM mid-west heart-land in Detroit, Michigan – but close to some of the Japanese transplants, in particular Nissan at nearby Smyrna, Tennessee.

It has built an integrated plant. The Spring Hill complex, some 35 miles south of Nashville in rolling farmland, is producing engines and gearboxes and finished cars at the same site. Saturn claims this is the first fully integrated car production facility to be built in the US since 1927, when Ford began the historic development of its Rouge complex.

It is aiming to reach a single shift capacity of 120,000 cars a year by next April, when it adds a second shift to climb to a full capacity of 240,000 cars a year by the summer of 1991 with a workforce of about 4,000.

Saturn claims various breakthroughs in manufacturing technologies, but Mr Guy Briggs, vice-president for manufacturing operations, insists that "the most stimulating ingredient in a manufacturing sense is the blend of technology and people". However, he does not stress the machines or processes, but the people.

"You normally look at advanced technology and think of robotics, automated vision, automatic operations. But even in the most automated operation you still have to rely on people. That philosophy is the nucleus of all the technology used by Saturn."

It is already clear that the Saturn project is in a different key to the tune being played by GM in the mid-1980s, when its annual report cover featured satellites and dishes, robots and computer screens. Mr Briggs says: "We set out with the aim: how do we consistently make a great car for the customer? We built the process to accomplish that and then we said: what technology do we need to do the job best?"

Central to the Saturn experiment was the early decision to develop the project in partnership with all so-called "stakeholders": the workforce and the United Auto Workers (UAW) trade union, the suppliers and the dealers. Saturn workers are all called team members. The organisation is built around action groups – primarily manufacturing, design, development and engineering, and sales and marketing – and resource groups – the support staffs such as finance, communications, organisation development and people systems.

People systems is Saturn-speak for the personnel department, but the company has truly broken new ground in delegating the actual decisions for hiring individual employees to teams of assembly-line workers. The six-15 member teams also have full responsibility for quality control, and all line workers are empowered to stop the assembly process to solve problems at source.

For the moment, and it is still very early, Saturn probably has one of the most enthusiastic and motivated workforces in the world auto industry. If such commitment can be maintained, it clearly has big implications for the future of unionised labour in the US auto industry. Saturn was founded on a 1985 pact formed by GM with the UAW, which otherwise has seen its membership rapidly eroded by the growing numbers of non-union Japanese transplants, such as Nissan's neighbouring Smyrna plant.

The concepts behind Saturn grew out of visits paid by the original Saturn teams – the so-called "Group of 99" drawn from across GM – to 49 GM plants and 60 other companies around the globe in two months in early 1984. They travelled 2m miles and put in 50,000 hours of work. Out of this came two basic conditions:

- a process of resolving conflicts based on consensus, where participants must be able to "buy in" to 70 per cent of the consensus decisions and show a 100 per cent commitment to implementing them;
- the enterprise would be more competitive if technology and resources were fully and properly integrated, meaning "the people using the manufacturing tooling and equipment should be involved in its lay-out and design".

Saturn claims to be ahead on various technology and organisation fronts.

- it is using solely single source suppliers with no duplicate suppliers for a common part or service;
- it expects the inventory turnover rate to be the best in the world;
- there are 126 receiving docks for incoming components for deliveries to be made to the point closest to where they will be used on the manufacturing floor;
- main aluminium engine and gearbox components will be cast on site with the pioneering so-called lost-foam process. Saturn claims this will allow it "to leap-frog the competition in both quality and cost";
- Saturn is the first US car maker to produce automatic and manual gearboxes simultaneously on the same assembly line;
- the Saturn car's body structure is based on a steel spaceframe with hang-on thermoplastic body panels for all exterior panels except the roof, bonnet and boot lid. Saturn claims it is the first car maker to use thermoplastic technology and applications on a large scale. The panels can be reused and reprocessed and Saturn will reprocess its own scrap. The panels allow rapid design flexibility which can greatly speed up the development of new models.

Mr Iacocca says his reaction to GM's early claims for Saturn was: "Holy smoke, this goddam car is going to fly." GM does not claim that, but it does claim that the company can out-compete the Japanese on what has become their own territory, such as parts of California where, in certain districts, imports account for as much as 30 per cent of the market. That would be achievement enough.

OBSERVER

Cobblers to the Commons

■ Sole looks like being on the House of Commons menu during a lunch shortly.

The nation's shoe repairers are coming to London to air their concerns at meetings with MPs and civil servants.

The trade has been in retreat for years, and recently has been battered by the ubiquitous canvas/plastic trainer. Conventional footwear has given ground to a point where some youngsters may grow up without ever donning a pair of leather shoes.

"It is really women who keep the shoe repair trade going now", says Ray Kinross of Shoe and Leather News. "Eighty per cent of the work comes from them. A shudder goes through the trade at even a hint that British women may be persuaded to discard their stilettos for something flatter, and not so quickly worn down."

In self-defence the trade is rallying to the newly-formed British Shoe Repair Council. Its chairman, John Timpson is uniting the multiples and the independents under a single banner, and is leading them to Westminster.

A 19th-century statesman said you could wager that every little back-street conspiracy had a cobbler behind it. Today's cobblers entering the Commons will have nothing more wicked on their lips than their traditional prayer for rain.

Wet enough, they hope to see out that hole in a politician's shoe.

No contest

■ The BBC is about to have something rather unpleasant happen to it.

The corporation hoped to persuade the government that the present method of financing the licence fee – a straight link with the Retail Price Index – was so sensible that it should continue. It was not to be. The government, which has had its problems controlling the RPI, decided that it could at least control the level of the licence fee.

Yesterday there was an extraordinary beauty contest at the Home Office with six consultants, including PA Consulting and Price Waterhouse, pitching for the task of carrying out a seven-week study of BBC finances and the licence fee. David Waddington, the home secretary, firmly set the agenda by decreeing that the winning consultants should advise on a sum less than RPI.

But all is not lost for the BBC. It is going to be allowed a say in choosing its executioner. BBC finance director Ian Phillips was at the beauty parade to help choose the consultants that are going to find ways of undermining his balance sheet.

Science seat

■ The Cabinet Office has hired Professor Bill Stewart as its new chief scientific adviser, leaving his previous employers to find a replacement quickly.

But the Agricultural and Food Research Council has now secured the services from next January of someone whose credentials mark him out as another possible future CSA. Tom Blundell, aged 48, is to be the new chief accounting officer of the £150m-a-year research council.

Blundell is professor of crystallography at Birkbeck College, London, a post he has held for 14 years.

Under his guidance this department has grown mightily with research that spans the science and medical as well as agricultural research councils.

Blundell is a molecular biologist who specialises in resolving the crystal structure of living molecules. His science is therefore in tune with the research programme Stewart drafted, which is heavily weighted to molecular biology and the "genetic engineering" of animals and crops.

Blundell has also been digging himself deeply into the management of national science, as chairman of the Biological Sciences Committee of the Science and Engineering Research Council and as a member of the steering committee for the national Aids research programme.

Most recently, he has also become a member of the government's Advisory Council on Research and Technology. That body is occasionally chaired by another scientist, Margaret Thatcher herself.

"Are you intending to heckle?"

Grounded

■ President George Bush's attempt to act in the spirit of the partial three-day shutdown of the US government and save money backfired at one point.

Heading back to Washington from his Camp David retreat he took a 75-mile road trip in a four-door recreational truck rather than the usual black stretch limousine.

Unfortunately his motorcade got caught up in a traffic jam and had to weave its way around a construction site.

Meanwhile, the presidential helicopter, on standby at Camp David, flew back to Washington empty. Symbolism does not always save money.

High risk

■ All writers take the risk that their books will be overtaken by events by the time they are published.

But Jeffrey Robinson, author of The Risk Takers – Five Years On, really climbed to the end of the tree branch and invited fate to saw it off.

"O ye of little faith", begins his chapter on Asil Nadir, citing the phenomenal rise of Polly Peck's share price during the 1980s and castigating those who had not backed it. He ends the paragraph with the ringing denouncement: "And yet there are still some folk in the City who think he's a flash in the pan."

True grit

■ A chemist from Farnborough has a cautionary tale of the dangers for contractors who inquire too deeply into their clients' activities.

A.N.Mosses, writing in Chemistry in Britain, tells how, while working for Reckitts in Hull in the 1930s, he was in charge of making smalts – a finely ground glass used chiefly to whiten the best-quality papers.

But he also had other customers who regularly ordered small amounts. Curiosity overcame him one day about the use to which one regular in Sheffield might be putting his ground glass.

He sent a salesman along, who discovered the customer was using it to whiten his sugar cake icing.

ECONOMIC VIEWPOINT

No bed of roses after recession

By Samuel Brittan

It is no longer news that the UK is in recession. What has still to dawn on many people is that the recovery is likely to be incomplete until well into the 1990s and thus long after the election.

Output should reach its bottom point at the end of this year or early in 1991. As interest rates decline, confidence recovers and stockbuilding restarts, some upturn in production is likely despite the squeeze on profit margins in the exposed external parts of the economy resulting from ERM entry at a moderately high exchange rate.

Nevertheless most medium-term forecasts show that output will grow by less than productive capacity and that the margin of slack will increase. Typical projections suggest output rising over the next three or four years by an annual average of 1½ to 2 per cent, while capacity grows by 2½ to 3 per cent. The pain may not be so obvious for the unemployed as in the 1980s because of the demographic fall in new entrants to the labour force. Nevertheless increases of up to 500,000 from the recent low of 1.6m (that is a rise from about 6 per cent to nearly 8 per cent) are frequently forecast.

Despite my unchanged scepticism about short-term forecasts, these medium-term projections seem in the right ball park. For if inflation is to be reduced on a durable basis to say 4 per cent per annum and British realignments in the EMS are to be rare and modest, then downward pressure on the goods and labour market will have to continue for some time. Even after that a higher margin of slack than we have become used to in the past few years will be needed.

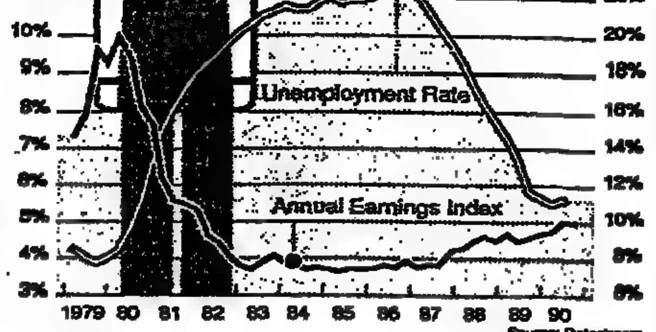
Downward pressure on the goods and labour market will have to continue to reduce inflation

There will doubtless be temporary periods of quite high growth when the recovery in domestic sectors, as interest rates drop, more than offsets the pressure on manufacturing and other exposed external parts of the economy.

There may also be a window of political opportunity for the Conservatives some time in 1991-92 when the favourable effects on their popularity of falling interest rates might exceed the damage from rising unemployment. Such fine balances are important for psephologists but trivial pursuits for the rest of us.

In view of the unreliability both of short-term forecasts and the relationships supposed to exist between government popularity and various economic variables, Conservative party managers would be well advised to concentrate on planning the election campaign and not waste their time trying to guess when it will be.

The most interesting question about the Thatcher era is very different. It is: how far did the long expansion of the 1980s reflect a genuine supply side improvement and how far was it just a swing from severe recession to renewed inflation? This links up with the more hypothetical question: at what rate will unemployment stabilise when inflation is finally squeezed to a low level and growth returns to trend? The name for this rate is the "NAIRU", or non-accelerating inflation rate of unemployment. *I cannot altogether avoid* this jargon term.



A first inspection of the chart is gloomy. The growth of earnings per worker stabilised at 7½ to 8 per cent per annum in the mid-1980s when unemployment was about 3m, or nearly twice as high as today. It required a rise to this level merely to stem the inflation after Labour's pay policy collapsed in the early 1980s. More recently, when unemployment began to drop, earnings growth has risen again.

Of course the chart represents an oversimplified view. There are other variables, especially in the short term. Pay responds to prices as well as prices to pay. Pay changes also reflect the rate of change of unemployment as well as its level. There is an all too clear link between the recent upturn in unemployment and renewed spate of redundancies and the fall in pay settlements announced by the CBI Databank from 8.9 per cent in the second quarter of 1990 to 8.5 per cent in the third quarter. (Earnings increase faster than settlements because of overtime, bonuses, regrading and other sources of "drift".)

There are more complications. The amount of slack in *terms* of unused plant capacity may differ from that shown by the unemployment figures. Unfilled vacancies have let us down as an indicator. For they were actually falling in the last years of the boom while labour shortages were intensifying.

Superficial inspection of the chart leads to the very depressing conclusion that unemployment will have to return to its mid-80s level merely to stabilise the rate of inflation. Yet a doubt begins to creep in if we look more closely. For the remarkable feature of the recent boom is, not that earnings increases rose from 7½ to 10 per cent, but that they accelerated so little when unemployment fell by nearly a half and headline inflation nearly doubled. It is here that the changing nature of unemployment matters.

For the fall has been disproportionately in the long-term unemployed, who are not active in the labour market. The number out of work for more than a year dropped from a peak of more than 1.3m to a low point of 500,000. This takes one to Lord Young's famous, or some would say infamous, measures to entice the long-term unemployed off the dole. They can be conceptually broken down into (a) controversial ways of increasing the pressure on the unemployed to take jobs, (b) other ways of getting them off the unemployment register and (c) beneficial measures of encouragement, training and job placement. Whether good or bad they have all reduced the NAIRU.

One must also remember the Prior and Tebbit reforms (however reluctant in the former case) to reduce union power, and the exemplary effects of the defeat of the miners' strike and decreased government willingness to bail out lame duck and loss-making firms.

My guess would be that the NAIRU increased in the early to middle 1980s. It then fell for both genuine and cosmetic reasons, but it is still well above today's unemployment rate.

The lessons for financial policy are more straightforward. As the government does not *know* the level of unemployment or capacity utilisation that goes with sustainable non-inflationary growth, it is folly to try to achieve it directly. A related folly is to suppose that all recessions or economic slowdowns can be brought to an early end. The best that governments can do – apart from nitty gritty supply side policies to improve the labour and other markets – is to base policy on what is called a "nominal framework" related to price stability or the growth of demand in money terms. They can try to achieve this directly. Or they can use the more indirect means of tying their currency to that of a non-inflationary country such as Germany. The UK's membership of the ERM involves both.

Either approach means that the government does not try to influence output or jobs directly; and employers and workers are left to learn the effects of inflationary pay settlements and the advantages of moderation. So far from being a hard-hearted policy, this merely means that governments avoid claiming powers over output and jobs which they do not have – except in the very short term and then very unreliably.

I realise that the approach taken in this article might seem too mechanistic. It ignores dynamic changes such as the much-discussed wave of investment by overseas companies which find Britain a profitable and convenient location for attacking the enlarged Community market, and whose number will be boosted by the prospect of stable exchange rates. Many of the newcomers are impressed not by the dearness of British labour in relation to past UK productivity, but its cheapness in relation to workers *elsewhere* and to potential future productivity.

Natural optimism tempts me to accept this picture. But not all good things go together. A renewed productivity miracle will not necessarily reduce the sustainable rate of unemployment. This must in the last resort depend on a willingness to adapt the "going wage rate" to the state of labour markets, locally as well as nationally.

My guess would be that the 'NAIRU' has fallen but is still well above today's unemployment rate

Above all I would ask fellow optimists not to count on these gains in advance. They will come as a bonus if policymakers concentrate on providing a stable nominal framework and do not make the current US mistake of assuming that governments can spend their way into never-ending prosperity without any dips.

BOOK REVIEW

How managers can make the sun rise in the west

Managing on the Edge
By Richard Tanner Pascale
Simon & Schuster $21.95. To be published in the UK by Viking Penguin, price £16.99, on Nov 22.

A decade ago Richard Pascale co-authored The Art of Japanese Management, which is still one of the most intelligent books on the subject. Now this Stanford professor has produced an equally perceptive examination of how western companies can – indeed, must – renew their organisations, cultures and ways of operating, if they are to survive in the unpredictable, fast-moving competitive environment of the 1990s.

Pascale's analysis and prescription for "managing on the edge" are unusually subtle for such a readable business book. But this virtue is belied by the US publisher, which has slapped on the crude subtitle of "how the smartest companies use conflict to stay ahead".

Such a bald label could have been applied to the IBM or even the ITT of the 1970s – or to today's Citicorp, which Pascale sees as precariously dependent on extreme Darwinian competition among its managers.

What the book is actually about is how a few pioneering western companies, and Japanese paragons such as Honda, have become what Pascale calls "engines of inquiry". They have dumped the traditional (and fundamental) western management precept that organisations succeed primarily through an ability to reduce diversity and ambiguity.

Instead, they have developed ways of continuous organisational learning and transformation, with consequent competitive success. They accomplish this, in almost Hegelian fashion, by stimulating a constantly shifting tension between opposites: in the decentralisation yet co-ordination of their organisations; in the degree of coherence versus dissonance between their strategies, structures, styles and reward systems; in "hard" systems and "soft" cultural patterns; and in consensus versus contention.

This is not an original diagnosis: the best-selling business book of the 1980s, In Search of Excellence, signalled the need for much greater ambiguity and paradox in management. But most readers missed that message amid all the book's other gung-ho advice. In any case, its authors, Tom Peters and Robert Waterman, seemed to be advocating a *balance* between opposites, something Pascale sees as far too static: instead, he advocates "the orchestration of tension".

Peters and Waterman provide Pascale's starting point in a less positive sense, too. Wondering why two-thirds of the "excellent" companies fell from their pedestal within five years, he says they lost their vitality through the "entrenched" nature of their very success. Some merely wobbled (such as Delta Airlines and Procter & Gamble), while others toppled headlong (Wang and Data General). Far too many shared the traditional mindset of industry leaders: that continued success would be assured by making only slight changes to a set of pretty constant strategies, structures, styles and skills.

Unlike Peters himself, who recanted recently that "there are no excellent companies", Pascale finds excellence in two companies: in Honda's long-standing restlessness about what it does, and how; and in Ford's new-found readiness and ability (in the 1980s, anyway) to transform itself entirely, and then to start again.

Pascale's 60 pages on the "inside story" of Ford's transformation, in which he was involved closely as a consultant, are fascinating. Highlights include: the company's repeated false starts; including the way its employee involvement programme almost died several deaths; the unusually quiet, "minimalist" team leadership style of the then chairman, Mr Don Petersen, which was immeasurably instrumental in breaking down Ford's traditional "turf wars" between different functional barons; and, above all for the theme of the book, Ford's new ability to synthesise such apparent opposites as strategy and opportunism, collegiality and individuality, regulations and latitude.

Yet in some respects the lessons Pascale draws from Ford are weakened by his enthusiasm for it. He touches only briefly on the vital, and very open, question of whether its revolution will outlast Mr Petersen, its chief coach (a more appropriate word than architect) who stepped down early a few months ago.

Moreover, Pascale's claim that the company's product development cycle has been cut from seven years to four – a litmus test of a western manufacturer's vitality today – is overoptimistic.

Some of Pascale's criticisms also seem overdone. His devastating analysis of General Motors' inability to learn from its and others' organisational experience will be echoed by most observers, but the degree of his onslaught against the generally admired Hewlett-Packard is excessive.

On the one hand, Pascale rightly argues that HP would be more sprightly in the marketplace if it could inject more effective co-ordination across its previously autonomous business units (see yesterday's Management Page). On the other, he overstates the case against what he (and what some company insiders) calls HP's "terminal niceness". HP's deeply rooted concern for consensus may set it apart from the contention which characterises Honda, but HP's values are relatively close to those of quite a number of successful Japanese companies.

Attacking the imitative thought of most American top managements for more than 80 years, Pascale concludes that corporate leaders need constantly to challenge their own assumptions, to raise the level and widen the breadth of their thinking.

Whether this book will rival the success of In Search of Excellence, as it deserves to, is doubtful. It is just as powerful and readable, but its evident intellectual depth may deter some readers. So may the force of its message: that we should cease to think of things in either/or terms, and start to grapple with the complexities of both/and. Most Asians find that easy. Westerners do not – and suffer accordingly.

Christopher Lorenz

LETTERS

Airline deregulation: lessons from the US

From Mr George Williams.

Sir, Even given a share of peak time slots, the likelihood of small independent carriers surviving to operate Europe's scheduled airline services is remote. As shown by the US experience, the ability of large incumbent carriers to contain the destructive elements of the competitive process, not only through the control of runway slots, is prodigious.

Conventional wisdom concerning the economics of operating an airline has altered fundamentally as a result of deregulation. The various production economies that can be derived from operating large integrated hub-and-spoke route networks, particularly those of scope, are only fully exhausted at very large levels of output.

The result in the US is an industry dominated and controlled by a handful of very large carriers. Given that the total European air transport market represents some 52 per cent of the US domestic market, it would not seem unreasonable to expect the existence of only three, or possibly four, consortia accounting for most intra-European traffic by the end of the decade.

The degree of competition then likely to exist between these European-based megacarriers may bear some resemblance to that which now exists in the US. As has been apparent there, the minimum number of operators required to produce a satisfactory competitive environment is not at all obvious. Much has depended on the aspirations of the individual participants and on the nature of their commercial relationships.

In certain city-pair markets the presence of just two carriers has resulted in sufficient pressure to maintain both efficient production and fares that do not generate near monopoly profits. However, in other duopolistic markets the benefits of greater productive efficiency have not been shared with consumers. A tacit understanding that fare competition would be unlikely to prove mutually attractive rather than any covert attempt at collusive action probably provides the best explanation for such behaviour.

Thus it may well be that the best prospect for competition where the UK consumer is concerned would be for a large US carrier to acquire one of the airlines currently based at Gatwick, together with all its take-off and landing slots.

George Williams,
senior lecturer in economics,
Middlesex Polytechnic,
The Burroughs, NW4

Pay levels in manufacturing

From Mr Ian Thompson.

Sir, Austin Mitchell (Letters, October 9) says "wages in import-saving and export-producing industry ... have gone up less than the rest of the economy ... in every year since 1979". Since two thirds of all imports and exports are manufactured goods, that implies that manufacturing pay has fallen behind the rest of the economy. It has not.

Average earnings in manufacturing have actually risen very slightly more since 1979 than those in the economy as a whole. In July 1990, the latest known period, manufacturing average earnings were 189 per cent above their 1979 level. For the whole economy, average earnings were some 182 per cent above their 1979 level.

Ian Thompson,
economic adviser,
Engineering Employers' Federation,
Broadway House,
Tothill Street, SW1

ABP's performance

From Mr Mike Murray.

Sir, The table accompanying the article ("A large Tory banana skin," October 9) gives Associated British Ports' issue price as 56p following our 1986 scrip issue. But there was a further scrip issue in 1990, therefore the issue price should be adjusted to 28p for the purposes of performance evaluation. Thus, ABP out-performs any of the privatised shares given in the table.

Mike Murray,
publicity officer,
Associated British Ports,
150 Holborn, EC1

Europe's rotten agricultural core

From Mr Edward Barrow.

Sir, It is clear that European agriculture is facing a crisis, brought about both by political (east Germany, lamb wars and Gatt) and natural (drought) pressures ("Ministers snub Brussels plan," October 9).

The European Community must deal with this crisis securely and confidently if it is to prosper, and talk of further political and monetary union is perhaps too ambitious while the agricultural core is rotten. This is a gloomy prognosis from a committed Europhile, but the common agricultural policy lies at the heart of EC politics and expenditure.

French and German farmers are a powerful political force. Their present troubles are exacerbated by the fact that they have been cosseted and shielded from world markets by the generosity of Community taxpayers for many years.

It is wrong to compare their anger with the comfortable stoicism of English farmers as proof of perfidious French volatility. Their plight and anger is more akin to that of British workers in coal, steel and shipbuilding when faced with the withdrawal of government support in the early 1980s.

Yet the social, political and environmental case for some subsidy of agriculture in developed economies is much stronger than that for subsidy of any other sector. In the past, subsidies were structured (mainly by price support mechanisms) so as to maximise production. This is no longer appropriate. Direct income support to farmers (paid to the occupier of land in agricultural use), on the other hand, is neutral. It is much simpler to administer, and permits all tariff and non-tariff barriers to free world trade in farm produce to be dismantled. By providing a guaranteed income to farmers, it can increase rural security, employment and even investment.

Only one interest group is seriously threatened by a comprehensive system of direct income support: the farm bureaucrats at Brussels, the UK Ministry of Agriculture and its parallel ministries elsewhere. However, for this reason alone, it is perhaps unlikely to be adopted.

Edward Barrow,
Selouvire,
Gennes Ivergny,
Auxi-le-Château,
France

Major's lifeboat for Africa

From Mr Joshua Atikpakpa.

Sir, Your editorial comment ("Africa's gains and losses," and William Keeling's report "Boost for Nigeria's debt conversion strategy," October 4) reveal a ray of light at the end of a long dark tunnel for Nigeria at its 30th independence anniversary.

With external debt of £34bn and 1990 budgeted earnings from oil of £6bn, extra income from oil of £9.6bn caused directly by the Gulf crisis is more than "a lifebelt". Whether Nigeria will now seize this opportunity to face up to its responsibilities towards its people and sub-Saharan Africa and set right its appalling record of gross economic mismanagement and political instability is another question.

Creditors and donors are not alone in being sceptical about the government's good intentions. The Nigerian people are also wary of their government's ineptitude and have yet to give the Babangida administration a clean bill of health.

There are, however, growing signs that the government has come to grips with the problems. President Babangida's two imposed political parties, the SDP and NRP, seem to defy all odds. For the first time in Nigeria's history there have been non-violent local government elections, fought freely and fairly along party, non-religious and non-tribal lines. Secondly the president's five-year-old structural adjustment programme, more ambitious than International Monetary Fund conditions, is beginning to show signs of transforming the economy, as Mr Keeling's report confirms.

Apart from putting its own house in order, it should be clear, however, that Nigeria's future will depend largely on the reaction of the Group of Seven governments to the British chancellor's debt relief proposals unveiled in Trinidad. As a former banker in Nigeria, John Major has shown an amazing grasp of the debt problems facing developing countries. His proposals, if adopted, will be more than a lifebelt, they will be a lifeboat to Africa.

Joshua Atikpakpa,
2 Veronica Gardens, SW16

FINANCIAL TIMES
Thursday October 11 1990

Delors rebukes Strasbourg on Emu

By David Buchan in Strasbourg

THE European Parliament was yesterday rebuked for harbouring unrealistic demands and expectations about its role in creating and running an Economic and Monetary Union (Emu).

The criticism came not from the parliament's usual opponent – the Council of Ministers – but from Mr Jacques Delors, the European Commission president, commenting on a report by Mr Fernand Herman, a Belgian Christian Democrat, which sought to lay out Strasbourg's version of the forthcoming Emu treaty.

The report, on which parliament votes today, calls for EC states to set up a monetary union by the end of 1995 – earlier than proposed by any government – and by majority vote.

Mr Delors invited MEPs to consider how "reticent member states might feel about being put in a minority and marched towards Emu without having the sovereign decision to enter it (Emu) put before their national parliaments."

Mr Delors also criticised the report for suggesting that the EC could decide to increase the overall ceiling of the community budget by majority vote and for trying to give the parliament an effective veto over appointments to the board of the proposed Eurofed central bank. It was far better to increase the powers of all three EC institutions – the council, commission and parliament – said Mr Delors.

While seeking to restrain federalist hotheads in the parliament, the commission yesterday used the Herman report debate to chivvy on laggards among the 12 member states.

Mr Henning Christophersen, the commissioner responsible for macro-economic affairs, promised that Brussels would soon publish research showing that Emu would benefit, not harm, the poorer regions on the Community rim.

Even on existing plans, EC aid would by 1993 amount to 4 per cent of the gross domestic product of Ireland, Portugal and Greece, and Brussels proposed to accompany entry into Emu with a special financial safety net to help any country falling behind.

The very act of establishing a monetary union was a catalyst for economic convergence, Mr Christophersen said. Britain had shown its "tacit acceptance" of this argument, he claimed, by entering the exchange rate mechanism before its inflation rate had begun to drop to that of its new ERM partners.

Jacques Delors: Strasbourg's demands 'unrealistic'

● A report demanding EC-wide measures to combat a rise in racism throughout Europe was approved by a bitterly divided European Parliament yesterday, PA reports.

Insults and accusations marked the passage of a 176-page, four-year study which catalogued the unprecedented growth of extreme right-wing groups and, in Britain, the rise in the "racist and violent sub-culture of the skinheads".

The report, calling for a European residents' charter to protect the community's 14m immigrants, was approved by 188 votes to 146.

Farm demo disrupts Mitterrand ceremony

By Ian Davidson in Paris

ANGRY French farmers, demonstrating for more generous support from the government, yesterday disrupted President François Mitterrand's inauguration of the Airbus Industrie manufacturing facility outside Toulouse, south-west France.

This is the second time in two weeks that demonstrating farmers have interfered with the smooth functioning of Mr Mitterrand's public duties.

At the end of last month, the president was prevented from inaugurating the latest south-west stretch of the high-speed TVG train.

Yesterday, 400 farmers burnt tyres and bales of straw and spread liquid manure on the road outside the airport of Toulouse-Blagnac.

However, they failed to prevent President Mitterrand's aircraft from landing on the Airbus Industrie runway and he was able to inaugurate the consortium's manufacturing hangar.

The facility, designed for the manufacture of the two new large long-haul Airbus airliners, the twin-jet A330 and the four-jet A340, will give the consortium a manufacturing scale comparable to that of transatlantic competitors such as Boeing and McDonnell-Douglas.

The farmers' demonstration is the latest in a series of public protests since the early summer.

During clashes with police earlier yesterday, one demonstrator lost a hand when a teargas grenade he had picked up exploded.

French farmers have been hit by drought for the third year in a row. Many have also been suffering from heavy debts.

In addition, beef and sheep farmers, particularly in the west and south-west, have been hit by a steep fall in market prices which they blame partly on imports from Britain and eastern Europe.

Yesterday, the local departmental farmers' federation condemned the violence of the demonstrators in the hope of securing concessions from the government by negotiation.

US business leaders say confidence is worst for 10 years

By Anthony Harris in Washington

US BUSINESS confidence fell to a 10-year low in the third quarter of 1990, according to a Conference Board survey of 1,000 chief executives, and more than half of them expect conditions to get worse.

Their pessimism is echoed on Wall Street, where most financial economists are forecasting a recession ranging from mild to severe. Only two months ago they expected no recession. These views were underlined yesterday by new official statistics showing growing consumer problems with credit card debt, and continued tight operating margins in the retail trade.

The Conference Board index of confidence fell 8 points to 40 (a reading of 50 is neutral). Consumer and business credit, and not the international situation, is the main cause of concern. The board, which produces widely followed business surveys in the US, said executives canvassed prior to Iraq's invasion of Kuwait had been as pessimistic as those who responded afterwards.

Nearly 70 per cent reported that economic conditions had worsened in the past six months; just under half expected further weakening in the current half year.

The consumer credit figures show an annual growth rate of 3.8 per cent for the three months to August, almost unchanged over the last year; but the total figures conceal a disturbing trend. Borrowing for car buying, an important source of growth, has been falling at an annual rate of 5 per cent in the past three months; but credit card borrowing has been rising at an annual rate of nearly 13 per cent.

Since retail sales have been sluggish, this shows growing delay in payments, suggesting a further rise in defaults, already at a high level.

The quarterly financial report on retailing – an advance estimate from the Census Bureau – shows a small recovery in operating margins to 3.6 per cent in the third quarter, up from 3.3 per cent in the second, but sharply down from normal levels.

THE LEX COLUMN

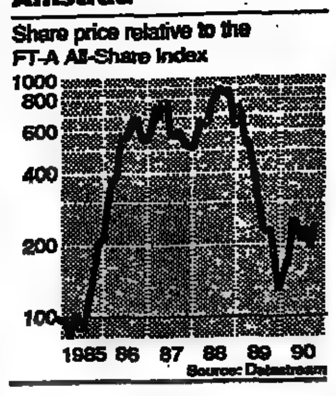
Pricing the oil explorers

Since the start of the Gulf crisis, the UK oil and gas sector has outperformed the market by around 12 per cent. BP, the best of the big performers, has outperformed by half as much again. But the overall figure hides curious discrepancies. Many stocks within the sector are actually priced lower than they were before the invasion of Kuwait; others like Lasmo are only marginally higher. Even BP is only 5 per cent up on its pre-invasion price, against a fall in the All-Share Index of 11 per cent.

The reason for this patchiness lies mainly with the exploration companies. These were performing well before the invasion and responded favourably in the first few days. Thereafter they stalled, noticeably lagging the broad sector. Given that the exploration companies should be the earliest beneficiaries of higher oil prices, with increased profits feeding directly into expanded drilling programmes and the prospect of higher future reserves, Lasmo, Enterprise and the bevy of smaller players might reasonably have expected their shares to lead the way.

The explanation seems to be twofold: first, a degree of instant profit-taking by panicky institutions; and second, indigestion within the sector due to the after-effects of ICI's Enterprise placing and the Premier/Kleinwort saga. But with even Premier now appearing on a string of brokers' buy lists, the lag is giving way to belated recognition of the effect of the higher oil prices on the explorers' asset values. Add in the damage being caused by the oil price to the already collapsing petrochemical earnings of the oil majors like Shell and BP, and the case for the explorers seems all the stronger.

Amstrad



As the rest of the world collapses around it, Amstrad gives the curious impression of having entered its private recession two years in advance. Its full year pre-tax profits of £43.7m are down by almost three quarters from their peak; it has held its dividend for the second year running; and if it makes £65m this year, it will still be down on five years before. At yesterday's 60p, the shares are on a prospective multiple of 8, for familiar reasons to do with the quality of earnings. Sales of computers, the nearest Amstrad has to a traditional product, were down 22 per cent last year; sales of satellite dishes, which have come from nowhere to contribute perhaps the bulk of last year's profits, were almost tripled. In the fast-moving world of consumer electronics, Amstrad is shortly going to have to come up with something else again.

In the 1980s the humble rating did not matter, since the share price was driven by profits growth. A repeat in the 1990s seems ruled out by a combination of demographics, competition and the company's increased bulk. With net cash on the balance sheet, there is no question of Amstrad going bust either. In share price terms, it sounds a dull recipe.

Banks

Once again, a member of the British financial establishment is talking about Deutsche Bank as an example of what a good bank should be, or of how a long-term shareholder should behave. Lord Alexander, chairman of NatWest, last night came up with the notion that in a deregulated price-competitive banking environment British banks can improve their profitability by holding equity stakes in some of their customers. Hence the allusion to Deutsche Bank, with its large stakes in Daimler-Benz et al.

Lord Alexander appreciates that British clearing banks are in no position to construct such equity relationships now with large UK companies. He is talking rather about the clearers building up participations in start-up operations. But there is something curious about the way the German model keeps surfacing in this kind of context. Not that Deutsche Bank is anything other than a well-run business. But the historical background is so different, and the German and British financial systems so alien, that it is hard to see any useful purpose in the comparison.

The fact is that the German grossbanken have a more central role in German industry because they always did. Deutsche and Dresdner both came into being in the 1870s, when the likes of Siemens and BASF were getting into their stride, and the bankers and businessmen have stuck close to each other ever since. If UK bankers are to become bigger in the venture capital business, all well and good; but it is not the same thing.

Markets

The London equity market has reverted to being a straight reflection of the oil price as perceived through the eyes of Wall Street. The FT-SE's low point yesterday – a whisker above 2,100 – came as the oil price went up a dollar for the fifth trading day in a row. It duly recovered on oil's subsequent reversal, the latter being apparently based on nothing more substantial than US denials of having either counter-invaded Kuwait or assassinated President Hussein. The result is a market which defeats rational analysis. A week or two ago, it was possible to argue that wherever the market was heading, certain stocks were fundamentally cheap. With ERM entry – as the oscillation of the bank stocks has shown, for example – even those basic calculations need reworking.

Telephones

Li Ka Shing evidently deserves his shrewd reputation. In the three months since Smith New Court placed his 3.9 per cent stake in Cable & Wireless with London institutions, the company's shares have fallen 100p and underperformed the FTA-All Share by 15 per cent. It may be a shade simplistic, though, for the market to interpret yesterday's British Telecom tariff cuts as yet another clear reason to favour BT's shares over C&W's. Granted, C&W is not looking quite as attractive as it was in view of sterling's strength, the threat of price control on international calls and the relative weakness of the Hong Kong economy. But BT has just as many regulatory and strategic hurdles to cross as has C&W, and in reality the UK's telephone war is only just getting started. It is too early for the market to declare BT the victor.

London's markets more settled

By Rachel Johnson in London

LONDON'S financial markets were more settled yesterday after fluctuating wildly since the government announced sterling was to join the European exchange rate mechanism.

Trading in sterling and government gilt-edged securities was hectic without triggering the sharp rises and falls which have characterised the first few days of Britain's full membership of the European Monetary System.

Sterling, gilts and equities closed near their opening levels, suggesting that the markets have found levels within the discipline of the ERM.

The Bank of England said it would investigate market rumours that last Friday's ERM announcement was leaked – causing two banks to operate heavily in the futures and forward rate markets shortly before sterling soared and interest rates were cut – if requested to do so.

Sterling finished almost unchanged at DM3.0075, rising 0.1 to 96.2 on its trade-weighted index. Against a stronger dollar, sterling closed at $1.9680 after a previous close of $1.9705. It has not yet tested its upper or lower 6 per cent limits in the mechanism, shadowing DM3 since it joined the ERM with a central rate of DM2.95.

The equity market closed down 12.3 at 2,121.8 on the FT-SE 100 share index, after tracking oil prices closely all day.

Equities fell sharply on rumours of a US invasion of Kuwait which sent oil prices yesterday to 10-year highs, but rose again at rumours that Iraqi President Saddam Hussein had been assassinated.

● A three-point plan to improve Britain's environment, including the creation of a 150 square mile national forest, was announced yesterday by Mr Christopher Patten, the environment secretary.

The plan, to come into effect next year, will also involve an initiative to help Britain's farmers and landowners to protect areas of the countryside under pressure from visitors and provide extra government funds for the restoration of churches and cathedrals.

Mikhail Gorbachev seems to suggest to the visiting NYSE chief that stocks can fall

Communists back land vote

Continued from Page 1

● Legislation to provide unemployment benefit for Soviet citizens as the country moves towards a market economy was set to sail through parliament at first reading yesterday writes Leyla Boulton in Moscow.

The new law, which guarantees a job for all who want work, is the first piece of legislation in decades to allow for unemployment.

The Soviet command economy has in theory provided full employment since the 1930s, thus there is no unemployment benefit at present.

But if radical market reforms go ahead, closing down unprofitable enterprises and tackling serious under-employment, the Soviet Union expects up to 35m people – or one in five Soviet workers – to lose their jobs.

Under the present system, school-leavers are allocated jobs by the state, while it is virtually impossible for enterprises to sack workers.

Many jobs in the Soviet Union – such as permanent lift-minders – are simply a waste of state funds.

UK to discuss radical plan for reform of accounting practice

By David Waller in London

A RADICAL agenda for the reform of financial reporting in the UK will be considered next week by the Accounting Standards Board, the body for setting accountancy standards.

The agenda, if put into effect, would change the way balance sheets are drawn up and require listed companies to publish profits forecasts.

It is the work of the Financial Reporting Action Group, a committee of four technical experts from the English and Scottish institutes of chartered accountants who were asked last year by the professional bodies to draw up an "action plan" for the reform of British accounting.

The group will present its findings to the Accounting Standards Board (ASB) on Monday next week. It will make five principal recommendations:

● Assets in the balance sheets should be included at their current value, rather than on a mixture of historic cost and revaluation.

● Listed companies should publish a profits forecast.

● Corporate reports should contain a "statement of shareholder gains" that will show the increase in the value of the assets as well as any increase in profits.

● Companies should publish a cash flow statement instead of a statement of the source and application of funds.

● Accounting should always reflect the economic substance of business transactions and not their legal form.

The ASB, which took over from the Accounting Standards Committee at the beginning of August, is committed to the fundamental reform of corporate reporting in the UK but is unlikely to proceed with any or part of the package without a period of extensive consultation with industry.

Even so, the ideas are likely to be at the centre of the intensifying debate on how financial reporting can be improved. The UK will be keen to establish a portfolio of authoritative accounting standards at a time when the European Commission is taking a mounting interest in the accounting area. The EC's new "Accounting Advisory Forum" is set to hold its first meeting next month.

Objections from the corporate sector are likely to focus on the recommendations that assets should be carried at current prices, and that companies should produce profits forecasts.

The revaluation process is expensive, requiring a professional assessment of the value of fixed assets every year and increased depreciation charges would reduce reported profits. Companies also regard information on their prospects as confidential.

UN strives to word resolution

Continued from Page 1

ian youths intended to provoke clashes during this week's Jewish festival of Tabernacles, the police reportedly chose to station only minimal forces around the sensitive Moslem and Jewish holy sites.

An editorial in the daily Ha'aretz said yesterday: "Direct responsibility lies with the man who heads the police force, Commissioner Ya'acov Turner. An assessment of the situation was not properly made, and even during the riots, the police did not act as the should in such situations."

At the UN, the US is proposing a draft that deplores Monday's violence in Jerusalem and "the excessive Israeli response". But Washington also is insisting that regret be expressed that "innocent worshippers" were attacked.

Arab nations not only want tougher wording but a Security Council mission with a broad brief to visit the Israeli-occupied territories – a move which could lead to enforceable recommendations for action against Israel.

This in turn could create direct linkage between Israel being asked to observe Resolution 242 passed in 1967, calling for its withdrawl from territory occupied during the Six Day War, and demands for Iraq's withdrawl from Kuwait.

The US wants a mission sent by Mr Javier Perez de Cuellar, UN secretary-general, with a limited brief to avoid being committed to linking the Arab-Isaeli conflict with a resolution of the Gulf crisis.

Iraq, continuing to exploit the Jersualem killings, yesterday accepted a PLO request for an urgent meeting of Arab foreign ministers.

The PLO hopes to use the meeting to bridge the gap between states favourable to Iraq and those sympathetic to Saudi Arabia and the US.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Berlin	C	13	57	Caracas	C	27	82	Faro	S	23	75	Islamabad	F	28	84
Algiers	F	25	77	Biarritz	S	17	63	Casablanca	S	22	73	Florence	S	22	73	Istanbul	F	17	63
Amsterdam	C	15	59	Bombay	F	28	84	Chicago	R	7	45	Frankfurt	S	13	57	Jakarta	F	33	90
Athens	S	25	77	Bordeaux	S	20	68	Cologne	C	15	59	Geneva	S	15	59	Jersey	S	15	59
Bahrain	S	33	93	Boulogne	C	15	59	Copenhagen	F	15	59	Gibraltar	S	22	73	Johannesburg	F	18	66
Bangkok	F	32	90	Brussels	S	15	59	Corfu	C	25	77	Glasgow	F	11	52	Lima	C	18	66
Barcelona	F	21	70	Budapest	S	13	57	Dallas	S	6	43	Helsinki	F	10	50	Lisbon	S	23	75
Beirut	–	–	–	Buenos Aires	F	27	82	Dublin	R	12	54	Hong Kong	S	27	81	London	C	17	63
Belfast	C	11	52	Cairo	S	32	90	Dubrovnik	S	16	61	Innsbruck	S	16	61	Los Angeles	S	18	65
Belgrade	S	15	59	Cape Town	S	18	65	Edinburgh	C	12	54	Inverness	S	10	50	Luxembourg	S	12	55

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	22	72	Milan	S	17	63	Nicosia	S	27	82	Salzburg	S	16	61	Tenerife	F	25	77
Madrid	F	21	70	Montreal	C	6	43	Oporto	S	25	77	San Francisco	S	13	57	Tokyo	S	16	61
Majorca	F	22	73	Moscow	C	11	52	Oslo	S	13	57	Seoul	S	18	66	Toronto	Dr	6	43
Malaga	S	25	77	Munich	S	16	61	Paris	S	17	63	Singapore	C	31	88	Tunis	C	27	82
Malta	C	26	79	Nairobi	F	25	77	Peking	C	20	68	Stockholm	F	12	54	Valencia	C	17	63
Manchester	C	15	59	Naples	F	21	70	Prague	S	16	61	Strasbourg	S	15	59	Venice	S	17	64
Manila	C	27	82	Nassau	C	28	84	Reykjavik	F	1	34	Sydney	C	20	68	Vienna	S	13	57
Melbourne	C	18	66	New Delhi	S	25	77	Rhodes	S	27	81	Taipei	F	28	82	Warsaw	S	15	59
Mexico City	C	27	81	New York	S	22	72	Rio de Janeiro	F	40	104	Tangier	S	22	72	Washington	F	21	70
Miami	C	27	81	Nice	S	21	70	Rome	S	25	77	Tel Aviv	S	27	82	Zurich	C	8	46

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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INSIDE

Lenders baulk in Manpower deal

Trouble for Manpower, the US based employment agency group, as the planned sale of five UK employment agency chains hits a last minute hitch. The deal was expected to be completed by tomorrow, but bank lenders to Brook Opportunities, the buy-out vehicle, appear to be dissatisfied with the assets they are being offered for the loans. Maggie Urry reports.
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Austin Reed plunges 56%

Britain's entry into the exchange rate mechanism is good news, according to Barry Reed, chairman of Austin Reed (left), the upmarket clothing retailer and manufacturer; but not good enough to dispel the bad. Austin Reed announced a 56 per cent fall in interim pre-tax profits from £2.05m ($4m) to £905,000 as it struggled in the face of tough retailing conditions. John Thornhill reports. Page 26

Bumper pressure on profits

Wheat farmers in Canada are under pressure from depressed prices caused by bumper crops around the world. This year, despite hauling in their second largest harvest ever, Canadian farmers will receive about 25 per cent less than they did for a crop of similar size and quality in 1981. Further south, Uruguay's beef exporters are also under pressure following Brazil's decision to buy 80,000 tonnes of surplus beef from the European Community.
Page 28

Fashion for national funds wilts

Investors are prone to manias during bull markets. Tulip fever, for example, swept seventeenth century Holland, while the Florida land bubble buoyed the hopes of many a twentieth century dabbler. The latest mini-mania which has flared up — and died down — is the fashion for single country funds, especially in the emerging markets of the Far East, but also in Europe and Latin America. Steven Bates reports.
Back Page

Keeping up with the times

PHILIPS

Advances in computers are always forcing changes in the way they are sold — as borne out by the recent problems at Philips' information systems division. Philips' troubles stem from adherence to equipment which cost it too much to build and sell and which was going rapidly out of fashion. This week it announced a far-reaching restructuring of its computer operations including a move to "open system" standards and job cuts totalling 4,900. Alan Cane reports.
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Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Novell	21⅝	−	1⅛
Rises				Toys R US	21¼	−	1⅜
Porsche	740	+	10	Wal-Mart	25¾	−	¼
Falls				**PARIS (FFr)**			
DLW	532	−	13	**Rises**			
Horten	185	−	15	CGIP	845	+	23
Lahmeyer	690	−	20	**Falls**			
Mercedes	473	−	12	Damart	586	−	11
Volkswagen	389.9	−	10.1	Eiiot	310	−	5
NEW YORK ($)				Midi (Cie)	848	−	23
Rises				Sanofi	735	−	28
IBM	106¼	+	⅞	Unibail	729	−	74
Philip Morris	45⅞	+	¼				
Falls							
CBS	151⅝	−	14				

New York prices at 12.30. Tokyo closed.

LONDON (Pence)				Chieftain	75	−	33
Rises				Eurotunnel Uts	428	−	22
Davies&Newman	140	+	67	First Technlgy	110	−	170
Hammerson A	553	+	23	Midland Bank	200	−	10
LASMO	480	+	9	NatWest Bank	262	−	14
Rank Org	629	+	11	Rugby Group	141	−	12
Reuters	704	+	22	Scot&Newcastle	343	−	10
Smith (WH) A	363	+	9	Sinclair (Wm)	215	−	7
SmKline Bchm A	557	+	15	Trans World	96	−	10
Falls				Vibroplant	91	−	7
Austin Reed	380	−	9	Wickes	109	−	14
Barclays	361	−	14				
Burmah Castrol	493	−	7				
Cable&Wireless	410	−	10				

Air Canada to shed 13% of staff

By Bernard Simon in Toronto

AIR CANADA, the Canadian airline, has responded to a worsening business climate and growing pressures from airline deregulation with a sweeping austerity package which includes a 13 per cent cut in its workforce, a realignment of some international routes, and the sale of its Montreal head office.

Although the measures are designed in the short-term to cope with a cyclical downturn in traffic, the airline's chairman Mr Claude Taylor said yesterday that they were also part of a fundamental restructuring of the Canadian airline industry which may in the long run leave room for only one major international carrier.

"The current environment has simply caused us to make these decisions a little earlier than we might have," Mr Taylor said.

The airline estimates that the belt-tightening will reduce 1991 capital requirements by C$570m (US$495m) and add C$62m to operating income. It expects at best to break even this year, and will post a loss in 1991 if fuel prices remain at present levels.

Despite a 6 per cent rise in revenue, Air Canada's net income dived to C$19m in the second quarter of 1990, from C$32m a year earlier.

Under the austerity plan, the airline will eliminate 2,900 jobs, including 250 pilots and 450 flight attendants. Three Boeing 747-400s due for delivery next year and one DC-8 freighter will be sold. The head office will move from downtown Montreal to an enlarged technical centre near the city's airport.

Air Canada is also abandoning its route from Toronto to Bombay and Singapore via London, after encountering increasingly stiff competition from British Airways and Far East carriers.

Passengers embarking in London accounted for about three-quarters of Air Canada's loads on this route. But with service on only three days a week and without the aircraft to fly non-stop to Singapore, Air Canada was increasingly forced to take the discount-fare overflow from other carriers.

Mr Taylor said that the airline would in future seek to service the Far East across the Pacific, where routes are currently reserved for Air Canada's main domestic competitor, Canadian Airlines International (CAI). Air Canada is especially keen to gain entry to Japan, and is maintaining its orders for Boeing 747-400s due for delivery in 1993 and 1994.

Canadian Airlines is also in the throes of a sweeping review of its domestic operations, which is likely to result in a contraction of its fleet.

● American Airlines has issued lay-off notices to 40 workers and plans to eliminate 1,000 jobs as part of a cost-cutting plan. It employs 90,400 staff. Meanwhile, America West cautioned yesterday that it expected "a major change from previous projections for net profits" during the second half of 1990 because of fuel price increases, although it declined to specify numbers.Pan Am and TWA have already announced significant staffing cuts.

Background, Page 22

Amstrad falls 43% but holds dividend at 1.4p

By Michael Skapinker in London

AMSTRAD, the computer and consumer electronics group, yesterday announced a 43 per cent drop in pre-tax profits from £76.6m ($150.9m) to £43.7m for the year ended June 30 1990. Turnover was down 7.8 per cent from £626.3m to £577.3m.

The proposed final dividend is 1p, maintaining the total payment at 1.4p.

Three extraordinary items helped to pull retained profits down from £43.1m to £2.3m. The extraordinary items included a £17.4m charge to account for the fall in the market value of Amstrad's 9 per cent stake in Micron Technology, the US semiconductor company. Amstrad purchased the stake in 1988 for £45m. There was an additional extraordinary charge of £10m to pay for the closure of factories in Hong Kong and Essex. These were offset by an extraordinary gain of £3.3m from the sale of property in Spain.

Inventory, which reached £335m in September 1989, has fallen to £168m. Bank borrowings, which peaked at £114m in September last year, have been transformed into a positive net cash balance of £24m.

Sales of satellite receivers and dishes rose to £107.3m from £38.1m. Turnover of audio products was £25.1m and the company is withdrawing from the market. Sales of all other products fell.

Lex, Page 18

Alan Sugar: the first to admit that Amstrad's problems were due to bad management

'Dressed up, cleaned up, ready to go'

Michael Skapinker talks to Alan Sugar

Mr Alan Sugar yesterday said farewell to the worst two years in the history of Amstrad, the UK computer and consumer electronics company which he founded and chairs. The group is now in good shape to face the future, he insists. All that can stop it are the states of the UK and European economies.

Yesterday, Mr Sugar announced that pre-tax profits for 1989/90 had fallen by almost half to £43.7m. In 1988/89, profits fell by more than half to £76.6m.

Over the past year, however, he has made it clear that falling profits are an acceptable price to pay for the reduction of Amstrad's stocks and the elimination of its debt. Mr Sugar has no doubt about what lesson to draw from the demise of other high-flying entrepreneurs who became household names in the 1980s. The high cost of borrowing forced many of them into receivership and Amstrad was determined to avoid such a fate. A positive cash balance of £24m leaves him breathing more easily.

Mr Sugar is the first to admit that Amstrad's problems were due to bad management. Over the past year, he has brought in new senior management, sacked the head of his Spanish subsidiary, and introduced new quality and financial controls. Nevertheless, this most unreflective of businessmen is stumped when asked to sum up the lessons of the past two years. "It's a very good question," he says. "I've got to sit down some time and think about how to answer it."

One lesson he says he has learned is in the setting up of foreign subsidiaries. He is vetting foreign managers much more carefully after his unhappy experience in Spain, where costs ran ahead of sales.

Amstrad has changed the location of its manufacturing over the past year. Mr Sugar built up Amstrad's business by having his products made cheaply in the Far East. He has now increased the proportion of products manufactured in the UK. Although Amstrad does not have its own factories, its goods are built under contract by other UK companies such as the General Electric Company and STC. Mr Sugar, once a fierce critic of British manufacturing standards, says he is satisfied with the work being done by his UK subcontractors.

Something which has not changed is Amstrad's opportunism. Although he has brought out several new computers in the past few months, Mr Sugar says he is anxious that Amstrad should not be seen as a computer company. The only real increase in sales last year came from satellite television equipment. Mr Sugar says that Germany and Holland together are now a bigger satellite market for him than the UK. With a second Astra satellite due for launch next year, sales can only improve, he says.

Although the UK consumer market has picked up in recent months, economic uncertainty makes Mr Sugar slightly cautious about next year. "We're all dressed up, cleaned up and ready to go. It's only things outside our control that can hold us back."

NatWest drops plan to buy CCF unit

By George Graham in Paris

NATIONAL WESTMINSTER Bank, the UK clearing bank, has pulled out of its planned deal to buy Européenne de Banque, the upmarket banking subsidiary of Crédit Commercial de France (CCF).

NatWest said there had been failure to agree on overall terms for a purchase, including price, but refused to make any further comment on the reasons for its withdrawal. "We're very disappointed," the UK bank added.

CCF said NatWest had informed it that it would not carry out the planned acquisition, but also refused to give any reason for the breakdown in talks.

Européenne de Banque said last night that it was surprised by the announcement. Mr Roger Prain, its chairman, had said in May, when CCF announced it was in exclusive talks with NatWest, that the link would be good for his bank's future.

The bank has had a loss-ridden past, with disastrous loans both to Latin America and to the bankrupt Paris jeweller Chaumet, but it had returned to a net profit of FFr61.7m ($12.1m) last year, and boasts one of the best high net worth private client bases in France, with around FFr21bn under management.

Paris banking analysts viewed the announcement as a considerable setback to NatWest's ambitions in the French market, where it has one of the weakest presences among the UK clearing banks, well behind Barclays and Midland. NatWest, meanwhile, said it was still committed to expanding on the French market and would continue to look at options. Some bankers said, however, that Européenne de Banque would, in any case, have been a difficult acquisition for the much smaller NatWest France to digest.

Analysts suggested that the audit of Européenne de Banque, the former Rothschild bank nationalised in 1982 and then privatised again five years later under the wing of CCF, might have proved less impressive than NatWest had hoped.

One possible explanation of the difference of opinion is Européenne de Banque's headquarters at rue Laffitte, in the heart of Paris's banking district, which is understood to have been revalued in July, at the very top of the Paris property market.

No initial price was ever agreed for the deal, but Européenne de Banque has shareholders' funds of FFr460m and a book value in CCF's accounts of FFr314m.

NYSE agrees to help train Soviet experts on setting up exchange

By Leyla Boulton in Moscow

THE New York Stock Exchange (NYSE) is to help the Soviet Union train the experts it needs to set up a stock exchange under a co-operation accord finalised in Moscow yesterday.

Mr Valentin Pavlov, the Soviet finance minister, said after signing the agreement with Mr John Phelan, the NYSE chairman, that Moscow had also contacted the London and Frankfurt stock exchanges.

"We welcome any help," he said.

NYSE's agreement with the finance ministry and Gosbank, the state bank, provides for the exchange of experts for research and training, but sets no detailed plans.

Mr Phelan, who had a 40-minute meeting with President Mikhail Gorbachev, added that the NYSE would be happy to provide the Soviet Union with stock market technology when Moscow was clearer on what it needed.

The NYSE chairman, who helped the Chinese develop stock markets, said, however, that there was no need, in the initial stages, for extremely sophisticated technology.

"If you're going to build a stock exchange, you don't have to build it as if you were going to Mars," he said, speaking after a three-day Moscow seminar co-sponsored by the NYSE to explain the workings of financial markets.

Mr Pavlov said it was too early to predict when a stock market would emerge in the Soviet Union.

But he said that much would depend on having a sufficient number of companies ready for listing.

Asked how many Soviet companies were ready to issue shares to outside investors, Mr Pavlov went through a long list of obstacles which were blocking the emergence of joint-stock companies.

He said difficulties included a lack of interest among workers in buying shares in their own companies.

But he predicted a mushrooming of share-issuing in the first half of next year, once a proper plan for a market economy had been decided on and a union treaty fixing relations between Moscow and the republics had been agreed.

Nadir flies to Turkey to sell assets

By David Barchard in Ankara and Richard Waters and Stephen Fidler in London

MR ASIL Nadir left London for Turkey last night in an eleventh hour bid to keep Polly Peck International afloat by selling off part of its operations in Turkey and Northern Cyprus.

The disposal of Polly Peck's fruit, electronics and leisure businesses in the region is understood to have been considered as a way of appeasing the group's bankers. The banks meet in London tomorrow to decide whether to allow the group more time to settle its liquidity problems.

According to one banker close to the negotiations, Mr Nadir has indicated only that he will sell his leisure interests at this stage.

His five hotels in the area, including the luxury Sheraton Voyager Hotel in the Turkish resort of Antalya, are estimated by analysts to be worth £165m ($325m) in an emergency sale.

Mr Nadir is under pressure to present his bank creditors with some tangible sign of his ability to raise cash when they meet tomorrow. They indicated last week that they were unwilling to roll over £200m of debts that fall due in the last three months of this year unless Polly Peck can come up with some way out of its financial difficulties. The company estimates that it needs a further £200m of new money to stem its projected outflow of cash in the next three months.

A sale of interests in Turkey and Northern Cyprus would provide only part of the answer to Polly Peck's problems. It would still have to find a way of remitting any proceeds to the UK. Foreign exchange problems have stopped it sending £70m of the £143m cash it says it holds in Northern Cyprus.

Although senior ministers have ruled out the possibility of a Turkish rescue of Polly Peck, government help would still be needed to overcome the foreign exchange problem.

In Ankara, there was speculation that Mr Nadir may still be considering a deal in which some of Polly Peck's Turkish operations would pass into the control of a state agency before the sale.

"There has to be some measure of state involvement in this operation, but the government wants it to be as discreet as possible, and so it is remaining tight-lipped," one source close to the company said.

Estimates of the value of Polly Peck's operations in Turkey and Northern Cyprus are sketchy, but suggest that the company could hope to raise several hundred million pounds from its disposals.

According to Polly Peck's last annual report, the Near and Middle East — almost entirely its Turkish and Northern Cypriot operations — contributed £107.7m of the group's £161.4m pre-tax profits last year.

Ex-owners take control of state Portuguese insurer

By Patrick Blum in Lisbon

CONTROL of Companhia de Seguros Tranquilidade, Portugal's fourth-largest insurance company, has reverted to its former owners following the completion of its privatisation on Tuesday with the sale of the state's remaining 51 per cent share in the company.

The Espirito Santo group, representing the interest of the Espirito Santo family who owned Tranquilidade until its nationalisation in 1975, have secured about 53 per cent of the company's share capital. Mr Manuel Ricardo Espirito Santo, chief executive of the group, said he was very satisfied with the results of the operation.

The group had made no secret of its desire to recapture control of its former company as part of a strategy aimed at rebuilding the Espirito Santo family's financial empire in Portugal.

During the first phase of privatisation with the sale of 49 per cent of the company last December, the group had secured more than 30 per cent of the shares.

This week's flotation raised Es18.9bn ($135m) for the government, less than the Es25.8bn raised for the sale of the initial 49 per cent.

Shares were sold at an average price of Es7,416 per share with prices fixed at Es7,270 per share for existing shareholders, rising to a maximum of Es14,000 per share for general investors.

In comparison, the price of shares for leading investors in the original part-privatisation averaged close to Es14,000 per share with prices reaching Es20,000 per share.

In December, share prices had rocketed under the impact of exceptionally strong demand from domestic and foreign buyers, and because of the known interest of the Espirito Santo group.

Once the group's leading position had been established, price pressure diminished, though demand remained strong enough to exceed the amount of shares on offer this week.

The next stage for the group is expected to be a strong bid to recapture control of the Banco Espirito Santo e Comercial de Lisboa, the second-largest state-owned commercial bank also nationalised in 1975, which is earmarked for privatisation next year.

Pernod sells champagne business to Soporadis

By Philip Rawstorne

PERNOD-RICARD, the French drinks group, has sold its champagne business, Besserat de Bellefon, to Soporadis, a company headed by Mr François d'Aulan, former chairman of the Piper-Heidsieck champagne business.

Pernod did not disclose the price but industry sources estimated the deal to be worth about FFr400m ($75m).

Besserat, which Pernod acquired in 1976, is the 10th-largest French champagne producer with annual sales of 2.3m bottles mainly to French hotels and restaurants. It made pre-tax profits last year of FFr11m on turnover of FFr158m.

Pernod officials were not available for comment yesterday and a company statement merely said that it had decided that the time was favourable to sell.

But Besserat owns only a dozen hectares of vineyards which could put it at a serious disadvantage with the ending of the strictly controlled supply system between growers and the champagne houses and the consequent rise in grape prices.

Mr D'Aulan, who returns to the champagne business after the sale of Piper-Heidsieck to Rémy-Martin last year, is expected to concentrate on developing Besserat's export sales, which at present account for only 20 per cent of turnover.

Japanese, Volvo near Dutch decision

By Kevin Done, Motor Industry Correspondent

MITSUBISHI Motors, the Japanese car maker, and Volvo of Sweden are close to reaching a decision on whether to press ahead with a joint car production venture in the Netherlands, according to a Dutch union official.

Reuter news agency reported that Mr Ger van Os, an official of the BHLP white collar union, said yesterday that a decision could be taken by November 1 on whether to go ahead with a joint plan to produce more than 200,000 cars a year at the Volvo Car BV plant in Born in the southern Netherlands.

Volvo owns 30 per cent of Volvo Car BV, the company which produces its medium-sized 400 series car range, but it is talking to the Dutch government about buying the outstanding 70 per cent held by state interests.

Mr Masanao Ueda, executive vice-president of Mitsubishi Motors, said last week in Paris that the Japanese car maker was conducting "a very serious feasibility study" on a joint venture with Volvo to produce cars in Europe.

The potential venture with Volvo was one of a small number of "very serious case studies" made by the Japanese car maker, which has been seeking an entry to local car production in Europe for three years.

"It is my desire that we should make a decision by the end of this year," said Mr Ueda.

He said that Mitsubishi Motors had found it difficult to put together a plan that was financially viable. "The profitability of production in Europe is not easy. It has taken a longer time than we anticipated."

He said the company was still seeking a joint venture and that Volvo was "still the favourite candidate".

An assembly plant would have an eventual capacity to produce 200,000 cars a year, he said, but initially output would be considerably less as such a volume "may be too big for our distribution," he said.

The three leading Japanese car makers – Toyota, Nissan and Honda – are developing car plants in Europe – all three in the UK – and both Mitsubishi Motors and Mazda are seeking to follow.

Philips banks on cutting its losses

Alan Cane examines the Dutch giant's far-reaching restructuring programme aimed at making its information division profitable

Philips of the Netherlands, bleeding red ink from its ailing information systems division, is making virtues of necessity. This week it announced a far-reaching restructuring programme designed, it said, "to support the objective of making its information division profitable."

The key measures were:

- A move to products based on "open systems" and standard hardware and software with an emphasis on personal computers.
- A reduction of about 4,900 out of a total of 15,000 jobs in the information division.
- A postponement in the search for an alliance with another company until it has effected a profitability turnround.

It is hard to imagine what else it could have done. Philips' troubles in its information systems division stem from adherence to equipment which cost it too much to build and sell and which was in any case going out of fashion.

The exact scale of the loss from information systems is hard to quantify because the figures are wrapped up in the accounts for professional products and systems where profits last year collapsed to Fl 40m ($23.1m) from Fl 368m the year before.

Philips' problems reflect the difficulties at many other manufacturers of small and medium-sized computers. The move from proprietary systems, computers built to a manufacturers' own design with a high content of special components, to industry standard systems built from off-the-shelf components from semiconductor manufacturers such as Intel and Motorola, has taken place with a speed which surprised the industry.

Some companies such as ICL, soon to be become part of Fujitsu of Japan, and NCR of the US, had anticipated the change and were ready with new families of computers based on industry standard components.

Others including Groupe Bull of France, Nixdorf of West Germany, Norsk Data of Norway and Data General of the US were caught with out-of-date technology and a mismatch between revenues and overheads.

The margins on a traditional minicomputer system of the kind Philips markets are 50 per cent or more, enough to support a substantial direct sales force selling to major users and providing considerable backup and support.

Margins on industry standard systems may be 30 per cent or less. The trick in the computer industry today is to secure the sales channel, the cheapest way of getting the computer to the customer from the factory.

Companies such as Compaq, the world leader in high performance personal computers, have no direct sales force; they sell entirely through dealers and value-added resellers (VARs), companies with the expertise to put hardware and software together for their customers.

So if Philips wants to play seriously in the new computer game, it has to lose a lot of people both in the manufacturing of the new systems and in the selling. The typical labour content of a personal computer today is about 2 per cent. Many companies could drive it lower but simply do not bother. It hardly matters in terms of overall cost.

It is significant, therefore, that Philips now intends to buy in standard personal computer hardware and software to build into industry-specific devices and that responsibility for this will lie with the company's consumer electronics division, Philips' most successful division which has broad experience of the mass production, logistics, marketing and distribution of this kind of product.

Philips has great technological strength which it has often failed to exploit effectively. It believes, probably rightly, that a combination of computing and image processing is likely to become an important trend in the near future and intends to place emphasis on its image-based office automation systems.

Systems of this kind are already being used by banks for processing cheques and by retailers for checking invoices.

Philips is also technically excellent in compact optical disk technology which is expected to complement or replace magnetic disk technology soon.

The question of a partner for Philips in information systems remains open. The two problems are the poor commercial performance of the division and its lack of visibility as a serious contender in Europe.

Other European manufacturers – notably Groupe Bull of France and Olivetti of Italy – are also looking for partners, but both have produced weak results in recent months.

Financial problems at Unisys, the US giant forged from Burroughs and Sperry, have reminded the market that putting two weak companies together does not always result in synergy.

So Philips has decided to play to its strengths, to concentrate on parts of the market it knows well such as banking, government and insurance, to move as quickly as possible to personal computer-based systems and to attempt to become a systems integrator.

It is a path that carries no guarantee of success. And it has become the route of choice for most other troubled computer makers. The question is whether Philips can offer anything in information systems to differentiate it from the rest.

NEWS IN BRIEF

Molex, the international electronic components company, said net income for the first quarter ended September 30 rose to $17m or 34 cents a share from $14m or 29 cents last year, with sales rising to $170.6m from last year's $143.2m, writes Barbara Durr. The lower value of the dollar contributed.

Tractebel, the Belgian utility and energy holding company affiliated to Société Générale de Belgique, announced a 9.6 per cent fall in first-half 1990 group net profit to BFr5.25bn ($159m) from BFr5.8bn, Reuter reports. Operating profit, including interest, rose to BFr5.54bn from BFr4.62bn. Exceptional profit fell to BFr290m from BFr2bn in the first half of 1989, when it was boosted by portfolio sales.

Banco Bilbao Vizcaya, the Spanish bank, has bought food store chain Distribuciones Reus (Dirsa) from Tabacalera, the state tobacco monopoly, for Pta12.1bn ($122m), Reuter reports. Tabacalera said the sale reflected a restructuring, and Dirsa made an operating profit of Pta953m in the first eight months of 1990, against Pta650m in all of 1989. Sales last year were Pta44.86bn.

Co-operatives clinch Danish abattoir deal

By Our Copenhagen Correspondent

THREE of Denmark's leading co-operative slaughterhouse concerns have clinched a deal to form a group to be called Danish Crown – which the group claims will be Europe's biggest slaughterhouse venture.

Danish Crown – formed from the Jutland-based Wenbo and Oest Jyske slaughterhouse concerns and Tulip, which runs abattoir operations from the central island of Funen – estimates it will slaughter 7.5m pigs a year and a large number of cows.

The merger is seen as further strengthening Denmark's position as a leading exporter of top quality pigmeat products to important overseas markets in Europe, the UK, Japan and the US.

The new company will be based in Aarhus, the country's second city on the Jutland peninsula, and the merger, originally announced in September, will take effect from October 1.

Denmark is the world's biggest exporter of processed pigmeat and the conglomerate will account for 45 per cent of all Danish pig slaughtering activity, the group forecasts. The new operation will be owned by 20,000 partners, with 7,500 employees and annual sales of about DKr10bn ($1.7bn).

The merger was approved by 95 per cent of the farmers who were partners in the three original co-operatives. The merged company is to rationalise its operations in west and central Denmark, concentrating them in 24 production units in Jutland and Funen under four independent groups.

Mr Bent Clandi Lassen, the newly-elected chairman of Danish Crown's board, said: "It is essential that Danish slaughterhouses concentrate their strength instead of using it to compete against each other in export markets."

Pressure on prices and the demand for supply security and high quality meant that Danish Crown would have to invest heavily in developing new products, markets and production facilities, Mr Lassen added.

Danish Crown aims to make savings worth DKr111m in the first year of operation.

Nyckeln UK in administration

THE UK High Court yesterday appointed Mr Maurice Withall and Mr Allan Griffiths, of accountancy firm Grant Thornton, as administrators to Nyckeln Finance, the UK arm of Sweden's Nyckeln Holdings, writes Our Financial Staff.

The parent, whose problems come partly from UK property investments, is in receivership until December.

Nyckeln Finance has borrowings of more than £200m ($394m) from foreign banks, some of which have demanded repayment.

Tobacco roads take different routes

Joyce Quek on prospects for the industry in Malaysia and Singapore

The tobacco industries of Malaysia and Singapore have diverged widely in the past decade.

Where the M$1.7bn (US$640m) Malaysian tobacco industry is ever hopeful of better prospects, its Singaporean counterpart appears to be coming to the end of the road.

After years of strong anti-smoking campaigns launched by the determined government in Singapore headed by Lee Kuan Yew, the tobacco companies are warning shareholders of a declining domestic market. The 500 to 700 tobacco farmers of a decade ago have been reduced to a handful, and the army of smokers has been whittled down to a third of its original number.

Singapore has outlawed all cigarette advertising and banned smoking in public places such as cinemas, restaurants and bowling alleys. However, that there is still a diehard band of smokers – as attested by the S$400m (US$229m) tobacco sales – means they still make the second-largest contribution to state duties.

Although profits and turnover rose for Singapore-based listed companies British-American Tobacco Company (BAT) and Rothmans Industries Limited (RIL), that growth came mostly from export and duty-free sales.

BAT reported that "as expected, market share in Singapore stagnated following the imposition of a complete advertising and communication ban. An increase in selling prices was insufficient to compensate for a declining total market and, in consequence, domestic turnover was marginally down."

BAT earned a profit by selling properties. "We have investigated a number of options on how best to utilise our cash surpluses. However, we failed to identify any business opportunity which satisfied our criteria for return on investment.

"Rather than continue to simply earn interest on the amount, we think it better to return these funds to our shareholders," said Mr Ian Ross, BAT Singapore's chairman.

The group's turnover gained 24.5 per cent to S$113.6m at the halfway stage, in June, and operating profits rose 19 per cent to S$16.7m. Investment income leapt to S$4.2m from S$1.2m, lifting after-tax profits to S$15.7m from S$10.7m.

The Malaysian authorities have an avowed, if somewhat schizophrenic, policy of encouraging the tobacco industry's growth while discouraging civil servants from smoking

During the first half BAT sold its last residential property which was revalued to market value to create a capital reserve of S$3.7m. From fixed assets sales over the years, the resulting cash resources were in excess of operational requirements, so S$119.7m will be returned to shareholders in a capital distribution in which every 1,000 shares will reap S$1,330.

RIL's half-time results to June saw group turnover rise to S$195.3m from S$158.4m and pre-tax profits leap 38 per cent to S$53.1m. The company proposed a maintained 11.5 per cent interim dividend with a special 19 cent a share payout, thanks to a S$13m extraordinary gain on the sale of a minority shareholding.

However, the improved result does not hide the fact that RIL owed much to greater contributions from higher exports and duty-free sales. Domestic sales continued to decline in line with a slowly shrinking local market, although margins overall were better due to improved and better-used production facilities brought about by increase in export and duty-free trade.

RIL said the difficult trading conditions for the Singapore tobacco industry were likely to continue in the light of the restrictions on smoking in public places and the advertising and promotions ban. BAT added gloomily: "Significant political and economic uncertainties in some major export markets are likely to affect performance in the second half-year and it is unlikely that the present rate of growth will be maintained."

The Malaysian authorities, on the other hand, have an avowed, if somewhat schizophrenic, policy of encouraging the tobacco industry's growth while discouraging civil servants from smoking.

The Malaysian tobacco industry plays an important role in improving living standards in the rural areas, providing jobs for almost 400,000. Fishermen and padi farmers have readily moved into growing tobacco, lured by earnings three times higher than theirs. The industry is helped by the government's requirement that the local tobacco content in Malaysian cigarettes must be 70 per cent, rising to 85 per cent by the year 2000.

Analysts are happier about the prospects of Rothmans in Malaysia than they are about its Singapore namesake. Merrill Lynch's Singapore-based analyst, Ms Hafidzah Hassan, revised her forecast of the Malaysian group's earnings per share after its healthy half-time performance.

For the half-year to December 1989, Rothmans' group turnover in Malaysia rose from M$360.3m to M$432.6m, and pre-tax profits leapt 66 per cent to M$117.9m, both above expectations.

Morgan Grenfell Asia Securities has upgraded Rothmans' net earnings per share forcast from between 38 and 43 cents to 50 cents for 1990 while Ms Hassan revised her figures from 37.7 cents to 49.3 cents, and to 60.4 cents for 1991.

Her reasons are that Rothmans – which has a 55 per cent market share with its Dunhill and Perillys brands compared with the listed Malayan Tobacco Company's 34 per cent from its Benson & Hedges and Lucky Strike brands – is the major beneficiary of strong consumer spending.

"Tobacco manufacturers have shown improvement in margins as expected, given the trend towards premium cigarettes which started in 1988 after the downtrading during the recession stopped."

Premium-brand cigarettes have a 70 per cent market share in Malaysia against 50 to 55 per cent at the end of 1988. Margins improved because of a 3.5 per cent volume increase in 1989, riding on an 8.2 per cent economic growth and 13.5 per cent rise in private expenditure.

"With expected GDP growth of 7 to 8 per cent and still strong growth in private consumption of 7 to 8.5 per cent over the next two years, cigarette sales should continue to record average long-term growth of 3 per cent. As manufacturers achieve higher volume, economies of scale lead to higher margins, on top of increased revenue," she said.

Although Malaysia will probably follow the anti-smoking trend, the tobacco industry will essentially remain protected, given that the domestic market is finite and exports are uncompetitive, as farmers' prices are too high.

Hopewell jumps 21 per cent to HK$626m after tax

HOPEWELL Holdings, the Hong Kong property and construction group which is involved in plans to build cross-harbour suspension bridges and viaducts in the colony, yesterday announced a 21 per cent jump in after-tax profits to HK$626m (US$81m) for the year to June 30 from HK$517m previously, agencies report from Hong Kong.

This result solidly outstrips most analysts' estimates, which ranged from a low of HK$420m to a high of HK$500m.

The group, controlled by Mr Gordon Wu, the high-profile entrepreneur, said earnings per share climbed 20 per cent to 42 cents from 35 cents a year earlier, while turnover dipped 2 per cent to HK$1.07bn from HK$1.09bn.

A final dividend of 13 cents a share is proposed, pushing up the full-year payout to 24 cents, up from 22 cents the previous year.

The group attributed its strength mainly to rental income from investment properties.

It added that its rent roll should continue to rise because of the completion of major investment projects during the year.

Looking ahead, the directors said that the group's main infrastructure projects in the colony and the Republic of China were progressing well, which would help diversify its business and reduce its dependence on property operations.

Austrian oil group plans expansion into Hungary

By Judy Dempsey in Vienna

OEMV, Austria's largest oil and chemical group, intends to expand its business in neighbouring Hungary and in the Yugoslav republic of Slovenia by opening retail outlets for its petroleum products.

At the same time, the group announced half-yearly results which showed a balance sheet total of Sch62.4bn ($5.8bn), an increase of Sch16bn over the same period last year.

This was largely due to OeMV's acquisitions of the Austrian-based Chemie group, as well as the purchase of crude oil and natural gas fields in the North Sea and Canada.

The decision to enter eastern Europe, which is expected to take place this year, is part of OeMV's diversification and expansion in spite of the Gulf crisis and the increase in petrol prices for the Austrian consumer.

The Gulf crisis has already pushed up petrol prices from Sch9.30 a litre in early August to Sch10.40 by the end of September.

But so far, OeMV appears to be in a strong, if not enviable, position in terms of its weak dependence on oil from the Middle East.

OeMV, whose share in the total production of crude oil in Austria is 84 per cent, has tended to concentrate on diversifying its imports.

In 1989, it imported less than 96,000 tons of crude oil from Kuwait and none from Iraq or Saudi Arabia. This year, it had imported only 1,000 tons from Iraq.

Instead, the bulk of its oil imports were bought from Algeria (1.3m tons), the Soviet Union (487m tons), Libya, where it has a 100 per cent share in an oil field, (889,000 tons) and Iran (673,000m tons).

Total imports for 1989 amounted to 5.9m tons while total domestic production for the same period amounted to 950,320 tons. Domestic consumption of petroleum products totals 8.9m tons.

Imports are likely to decrease following OeMV's purchase this year of two fields in the British North Sea.

With its oil fields in Canada, the share of OeMV's own oil production has risen from 20 per cent to 30 per cent to 351,000 tons.

Over the first six months of this year, crude oil production amounted to 501,000, a rise of 5 per cent over the same period last year.

The goal is to increase production by 50 per cent over the next few years.

COMPANY NEWS IN BRIEF

■ **Goodman Fielder Wattie (Asia)** is to exercise an option to acquire 62.18m ordinary shares in Cold Storage Holdings, the Singapore supermarket and property group, Reuter reports from Singapore.

Goodman owns 16.24m Cold Storage shares. The purchase will give it a total of 78.41m, or 63.06 per cent of Cold Storage. Goodman is also making an unconditional cash offer for the remaining 45.94m Cold Storage shares at S$1.66 each.

■ **South China Morning Post (Holdings)**, which was listed on the Hong Kong Stock Exchange in June, yesterday unveiled a 3 per cent fall in profits for the year to June 30, AP-DJ reports from Hong Kong.

The Hong Kong newspaper group, which remains 51 per cent-controlled by Mr Rupert Murdoch's News Corporation, said after-tax profit fell to HK$274m ($36m) from HK$282m, while per-share earnings also declined 3 per cent to 18.26 cents from 18.80 cents.

■ **Saudi Investment Bank (SIB)**, in which Chase Manhattan holds 20 per cent, said its net profit for the first nine months of 1990 fell to SR19.7m ($5m), from SR25.5m a year earlier, Reuter reports from Damman.

The figure was after unchanged provisions for bad and doubtful debts of SR30m. Net income before provisions was SR49.7m compared with SR55.5m.

■ **Wing On (Holdings)**, the Hong Kong department store, insurance and property group, yesterday posted a 63 per cent rise in after-tax profits to HK$145m ($19m) from HK$89m, helped by higher income from rental properties, AP-DJ reports from Hong Kong.

Per-share earnings rose 45 per cent to 52.7 cents.

INTERNATIONAL COMPANIES AND FINANCE

Saks to shed 700 staff and sees no growth in sector

By Nikki Tait in New York

SAKS Fifth Avenue, the US department store chain which was bought by an Arab-led investment consortium from Britain's BAT Industries for $1.6bn last July, yesterday said it was to cut 700 jobs, or about 7 per cent of its full-time workforce.

Saks, which was unveiling details of a "five-year strategic plan," said it expected "zero sum growth" for the US retail sector in the period ahead.

Saks refused to comment on its profits or sales expectations for the current 12 months, beyond saying that like-for-like sales were "nicely ahead by our standards" and that it expected a "satisfying year".

In the first half, Saks fell short of its projections and those of its new owner, according to a confidential memorandum which surfaced this year. They had expected trading profits of $32m and $33m respectively, while the actual figure was $28.4m.

Under the plan, Saks anticipates capital expenditure of about $250m, with most of this going on renovations. The same memorandum – a confidential bank financing document – had suggested that capital expenditure could decline from a peak of $97m this year to $33m by 1995.

The five-year plan also envisages a doubling of sales by the Folio direct mail business, to about $110m by 1995.

Saks, meanwhile, said it was looking to expand into the Far East and European markets, and was "in preliminary discussions" in both areas.

Some of Saks' job cuts will take effect immediately, while others will be spread into the first half of 1991.

Mead third-quarter earnings fall 34%

By Karen Zagor in New York

MEAD, the US pulp and paper company which also owns the Nexis electronic database, yesterday reported a sharp fall in third-quarter earnings.

The company blamed the decline on weaker markets for northern softwood pulp and lumber produced by Mead's 50 per cent-owned affiliate, Northwood Pulp.

For the three months ended September 30, Mead's net income dropped 34 per cent to $45.8m or 72 cents a share from $69.7m or $1.06 a year earlier. Sales grew 6 per cent to $1.27bn from $1.2bn.

Earnings from operations, excluding extraordinary items, fell 18 per cent to 68 cents a share from 83 cents a year ago.

For the first nine months, net income fell 29 per cent to $131.4m or $2.07 a share from $184.5m or $2.83 a year earlier. Sales edged higher at $3.64bn from $3.53bn.

The results were worse than some analysts had expected and shares in Mead slipped $1¼ to $22¼ at midday yesterday on the New York Stock Exchange.

The company, which is based in Dayton, Ohio, said the start-up of its new coated paperboard mill in Alabama was ahead of schedule. Its investment in the mill, which will produce coated paperboard for beverage packaging and folding cartons, is expected to total $690m.

Although the mill will continue to hurt Mead's results in the short-term, analysts are bullish about the investment.

Westinghouse income up 9% on strong orders

By Martin Dickson in New York

WESTINGHOUSE Electric, the Pittsburgh-based conglomerate, yesterday reported a 9 per cent increase in third-quarter net income, helped by acquisitions and strong orders for power generation equipment.

Despite the slowdown in US economic growth over the past year, Westinghouse reported net income for the quarter of $255m or 87 cents a share on revenues of $3.2bn, against $235m or 80 cents a share on revenues broadly the same in the third quarter of last year. For the first nine months net income was 10 per cent ahead at $717m.

In common with other US power generation manufacturers, Westinghouse has been enjoying a rush of orders for turbines and other equipment.

The group's broadcasting business produced increased revenues and operating profits during the quarter, but this was because of recent radio station acquisitions.

Similarly, the acquisition of office furniture companies meant revenues and profits were higher at Westinghouse's commercial division.

Financial services reported flat revenues and lower operating profits, partly because of increased loan reserves at Westinghouse Credit.

Third-quarter operating profit was $377m, giving an operating profit margin of 11.9 per cent, up from 10.4 per cent.

Mesa to sell oil and gas areas

MESA LP, the US resources group, is to sell oil and natural gas properties and undeveloped leasehold acreage to Seagull Energy of Texas for $376m in cash and the assumption of about $50m of liabilities, Reuter reports.

Mesa said it would also receive an additional payment of up to $50m in 1994 based on the weighted average price of natural gas sold from the properties between 1991 and 1993.

It added that the properties being sold comprised about 15 per cent of its expected proved reserves at year-end and consisted mainly of its Gulf Coast offshore, mid-continent and Rocky Mountain areas of operation.

Seagull said it expected to gain financing for the transaction through conventional banking sources. It said that over the next few months it would sell any of the Mesa properties which proved non-strategic.

Airlines in Canada suffer the pains of restructuring

Bernard Simon reports on the industry's difficulties

When Canada's airline industry started the process of deregulation in the mid-1980s, warnings abounded that the process would be a painful one.

It took a few years for the first bruises to appear. But the restructuring is now in full swing, and casualties are mounting as the pain of adjusting to unprotected markets is compounded by a downturn in traffic and climbing costs.

The latest evidence of the pressures facing airlines is the pruning of routes, aircraft and staff numbers ordered by Air Canada, the country's biggest carrier.

The measures include 2,900 redundancies, 13 per cent of the workforce, abandoning a once-lucrative route to Bombay and Singapore, and the sale of three Boeing 747-400s.

Perhaps most humiliating for Canada's 30th biggest company, the airline plans to move its head office from an imposing building in downtown Montreal to an enlarged technical centre near Dorval airport.

Stiffening competition has already led to a shake-up among regional airlines. Some have disappeared, while others have found a lucrative niche as feeder carriers for Air Canada or the country's other major airline, Canadian Airlines International (formed in 1988 by the merger of CP Air and Pacific Western Airlines).

Wardair, the biggest charter carrier, collapsed into Canadian Airline's arms last year after an unsuccessful attempt to take advantage of deregulation by entering the scheduled service market. Another well-known charter operator, Worldways, is in financial difficulties.

With Air Canada having taken its medicine, the focus shifts to its main rival. Digesting Wardair has proved more difficult than Canadian Airlines expected. The upshot has been a loss of 2,500 jobs and the sale of Wardair's fleet of 747s and Airbus A-310s.

Canadian is conducting another sweeping review of its domestic services, details of which are likely to be unveiled shortly. Further aircraft sales are expected.

Canadian airlines, serving a small market of 26m people spread across the world's second-biggest country, face some special challenges. The widely dispersed population means that most routes cannot profitably support a large number of non-stop daily flights by the widebodied jets which passengers prefer.

The few exceptions include the Montreal-Ottawa-Toronto triangle and a handful of long-haul routes, such as from Toronto to Vancouver and Calgary. Pressure for further rationalisation is also coming on the international front. Canada and the US announced last week that they planned to negotiate a new bilateral air traffic agreement aimed at liberalising cross-border air services.

While Canadian carriers are seeking a bigger slice of the North American market, they fear the consequences of competition from the US behemoths which account for about two thirds of scheduled traffic between the two countries.

Mr Claude Taylor, Air Canada's chairman, notes that "when Canadian carriers go shopping, other big international carriers see Canada as a relatively small market. We don't have as much to bring to the table." The stiffening overseas rivalry is illustrated by the fate of Air Canada's service to Bombay and Singapore. When it introduced this service almost five years ago, the airline attracted 75 per cent of its business from the stopover in London.

But without the equipment to fly non-stop from London to Singapore, Air Canada has now lost much of the business. As both domestic and foreign skies become less friendly, the big question is whether Canada can support two major international carriers.

Mr Taylor is among those who believe there is room for only one. He notes that "critical mass is going to be very important", on international routes and in the domestic market which feeds them.

The belt-tightening now under way at Air Canada and Canadian Airlines is a clear sign that if one is to swallow the other, each wants to be the predator rather than the victim.

Int'l Paper slips 13% in industry downturn

By Martin Dickson

INTERNATIONAL Paper, the aggressive US forest products group, has underlined the cyclical downturn in the industry by reporting a 18 per cent drop in third-quarter earnings, compared with the same period last year.

However, the figures were in line with expectations and analysts noted that the company's performance so far this year had been better than that of many competitors.

The company reported third-quarter net earnings of $181m or $1.66 a share on sales of $3.3bn, compared with net profits of $215m or $1.91 a share on sales of $2.9bn in the third quarter of last year.

For the first nine months, earnings per share were down 15 per cent at $5.01. The group earned $1.65 and $1.70 a share in the first and second quarters.

Mr John Georges, the chairman, attributed the "relative strength of our earnings" to internal improvement and acquisition programmes. The group has expanded in Europe with the acquisition last year of Aussedat Rey in France and Zanders in West Germany.

INTERNATIONAL CAPITAL MARKETS

UK long bond yields little changed in active trading

By Simon London in London and Karen Zagor in New York

UK GOVERNMENT bonds closed little changed yesterday after a day of volatile trading amid rumour and counter-rumour. The benchmark 11¾ per cent 2003/07 gilt closed at 102¼ for a yield of 11.37 per cent, down from 11.41 per cent.

Unfounded reports that military hostilities had broken out in the Gulf saw the December futures contract trade down to 84.02 in mid-morning after opening at 84.18.

However, improved sentiment in the afternoon lifted prices and the contract closed slightly up on the day at 84.20.

Analysts suggest that uncertainty is the overriding factor in the market, with trading houses taking different views on the impact of sterling's entry into the European exchange rate mechanism.

There is a consensus that the shorter-dated gilts will benefit as the government lowers interest rates. One house is forecasting a 2 per cent cut in base rates within six months. However, at the longer end, expectations are caught between the prospect of new gilt issuance next year and a deflationary economic outlook.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-27	-	11.79	12.53	12.52
		9.000	03/00	88-20	+03/32	11.34	11.74	11.81
		9.000	10/08	85-00	+04/32	10.91	11.11	11.16
US TREASURY *		8.750	08/00	99-10	-15/32	8.85	8.70	8.78
		8.750	08/20	97-14	-23/32	9.00	8.88	8.91
JAPAN	No 119	4.800	[illegible]	82.8639	-0.208	8.17	8.28	8.23
	No 130	6.400	03/00	92.2350	-0.300	7.83	7.94	7.90
GERMANY		8.500	08/00	96.1700	-0.180	9.10	9.04	8.96
FRANCE	BTAN	9.000	11/95	94.9092	-0.108	10.32	10.36	10.19
	OAT	8.500	03/00	88.2300	-0.130	10.50	10.52	10.27
CANADA *		10.500	07/00	94.6500	-0.750	11.42	11.16	10.75
NETHERLANDS		9.000	10/00	98.6500	-	9.21	9.24	9.10
AUSTRALIA		13.000	07/00	97.0688	-0.577	13.54	13.50	13.45

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ GERMAN federal government bonds were sold off in the cash market, with the 8¾ per cent 10-year bund closing on a yield of 9.12 per cent, against 9.09 per cent on Tuesday.

The futures market performed better, and the key December futures contract closed at 80.95 after opening at 80.70 and trading as high as 80.99.

The market is waiting for wholesale inflation data for September, which may be announced today. Analysts suggest that the market is caught between the downside pressure of supply, with the government borrowing requirement estimated at between DM120bn and DM140bn next year, and the relatively favourable currency and interest-rate environment.

■ THE FRAGILE optimism prompted by sterling's entry into the ERM evaporated from other European government bond markets yesterday.

Sharply higher oil prices and further weakness for US Treasuries left French government bonds trading off Tuesday's levels across the yield curve. The benchmark 8½ per cent 10-year OAT was trading at late afternoon on a yield of 10.51 per cent, against 10.45 per cent at Tuesday's close.

Only the shorter end held up in Paris, on expectations that the monetary authorities might use today's repurchase operations to signal a cut in interest rates.

However, the poor performance was not confined to France and spreads between European bond markets remained mostly static. The key spread over the German bund market was, at 10-years, 139 basis points, against 136 at Tuesday's close.

■ US TREASURIES moved moderately lower yesterday morning on higher oil prices and despondancy about the budget process.

At midsession, the Treasury's bellwether 30-year bond was off ½ at 97⅞, yielding 9 per cent. Shorter-dated maturities were quoted about ⅛ lower.

The Federal Reserve entered the open market to arrange $2bn in customer repurchase agreements when Fed funds, the rate at which banks lend to each-other, were trading at 8⅛ per cent. The Fed's target rate for the funds is still thought to be 8 per cent, and the market does not expect that to change until a credible budget deficit reduction package is passed by Congress.

In the absence of any major economic news and the lack of progress on the Budget, the bond market focused on oil price movements and events in the Gulf. The long bond lost more than ½ point at the start of trading when November crude oil reached a record high of more than $41 a barrel, but started to recover at midday as oil prices showed signs of weakening.

■ THE SPREAD of Canadian government bonds over US Treasuries has widened in the last two weeks, and the poor performance continued yesterday.

The benchmark 10½ per cent 10-year issue was trading at 94.80 in late trading, for a yield of 11.39 per cent, against 11.34 per cent on Tuesday. At this point on the yield curve the spread over US Treasuries is now 253 basis points, against 240 basis points a week ago.

The widening of spreads has been blamed on the worsening economic outlook in Canada. Confirmation of recessionary influences in the economy came with a year-on-year 16 per cent reduction in housing starts for September.

Also undermining confidence is an uncertain political situation. The latest constitutional battle is over a proposed 7 per cent goods and sales tax, being held up in the opposition-dominated Senate.

■ THE JAPANESE stock and bond markets were closed for a national holiday yesterday.

● The Bank of Tokyo has joined the FXNET System, becoming the first Japanese bank to take part in a foreign exchange netting network, Reuter reports from New York.

The system, which allows members to settle foreign exchange transactions with each other with a single payment at the end of the day, includes 17 major banks in London and New York.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON TEL & TEL 5 7/8 96	50000	90⅛	90⅝	[illegible]	7.96	THORN EMI 5 3/4 04 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY 5 1/8 95	50000	89⅞	89⅞	[illegible]	8.83						
SWEDEN 5 5/8 95	20000	90⅝	90⅞	[illegible]	8.09						
WORLD BANK 6 3/4 00	50000	93⅛	93⅝	[illegible]	7.76						

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Polish bond sales jump as sell-offs approach

By Christopher Bobinski in Warsaw

SALES of Polish government bonds, being issued to facilitate the purchase of shares in state-owned companies, expanded appreciably last month as November, the date of the first government disposals, approaches.

The value of the bonds is indexed to the monthly inflation rate and, when used to buy shares, command a 20 per cent premium. The bonds are redeemable in 1994.

They first went on sale last December when 40bn zlotys-worth ($4.4m) were sold, according to the Domestic Economy Bank (BGK), which is acting as an agent for the government. Demand later lapsed, with sales totalling just 6bn zlotys in June and 9bn zlotys in July.

However, last month 73bn zlotys-worth were sold, bringing total sales to 215bn zlotys. The Polish authorities hope to raise 6,000bn zlotys from the issue.

The overall price of the first six companies the government plans to sell in the next few months has been reported at 362bn zlotys. Only a portion of the shares will go on sale under public subscription.

The Fampa engineering works, valued at 17.3bn zlotys, will be sold to a foreign buyer, and minority shares in the other companies will be offered abroad.

● Assurances Generales de France (AGF) is in the final stages of talks with Solidarity's Warsaw region on jointly establishing two insurance companies. One will concentrate on life insurance, and the other on none-life insurance.

The initial capitalisation of the joint venture is set at $10m, with the Polish side holding 51 per cent. AGF expects the companies to be operational at the beginning of next year.

Vessel insurer to increase rates by 25%

By Richard Lapper

SWEDISH CLUB, the Gothenburg-based mutual marine insurer, is to increase its rates for hull insurance by an average of 25 per cent.

The move comes amid growing concern among international marine insurance market leaders about the effects of continuing fierce rate competition on the long-term viability of marine insurance business.

Last month one speaker at the International Union of Marine Insurance (IUMI) in London suggested that the industry faced imminent extinction unless "the totally inadequate" premium base was recognised.

Swedish Club, which writes about 3 per cent of total world hull premiums, is an important player in a highly fragmented market. At present it pays out roughly half as much again in claims as it earns in premiums, says managing director, Mr Lars Lindfelt.

Following recent falls in world equity markets, investment income was no longer covering losses. Last year, retained premium income amounted to SKr137.5m ($25m) against claims of SKr199.8m.

"Like everyone else in the hull market, we make a loss on our hull business. Our board of directors, who are themselves shipowners, believe it is a situation that cannot now be allowed to continue any longer," said Mr Lindfelt.

Premiums are to be increased by at least $15,000 for each vessel on Swedish Club's books at the beginning of next year, although renewal terms will continue to reflect the claims records of each fleet.

Deductibles – the amount paid by insurers on each claim – are also to be increased by a minimum of $15,000.

Although the increase could lead to some members leaving Swedish Club, Mr Lindfelt stresses that the group has enough financial strength to withstand any short-term dip in market share.

Mr Lindfelt says that although many marine underwriters accept the need for rate increases, many insurers are continuing to write business because they may be unaware of poor claims results or because they need money to pay claims.

"Too many underwriters are still chasing the same business," he said.

There has been some progress this year with the number of syndicates writing marine insurance at the Lloyd's insurance market, declining as a result of a process of mergers between syndicates.

The Swedish Club, which is owned by more than 100 shipowners mainly from Europe and the Far East, insures the hulls of about 480 ships.

INTERNATIONAL CAPITAL MARKETS

WestLB chief backs exchanges' self-regulation

By Katharine Campbell in Frankfurt

MR FRIEDEL Neuber, chief executive of WestLB, the largest public sector Landesbank in Germany, has endorsed the self-regulatory tradition of the country's stock exchanges and is holding out against the encroachment of bureaucratic centralist regulations, including those from the European Commission.

Friedel Neuber: self-regulation has worked in the past

The Frankfurt Stock Exchange, by far the largest of the eight regional exchanges, is being privatised at the end of the year, renewing the debate as to how the stock market should be policed.

Pressure from international investors used to stricter standards at home has turned Germany's lax laws into a potential competitive disadvantage. Germany has no centralised securities regulatory commission, and there is, to date, no insider trading law – only a voluntary code of practice.

However, Mr Neuber, speaking in Frankfurt at a meeting called by the federation of German stock exchanges, said self-regulation had worked in the past and was still relevant – with some inevitable changes – with the onset of increased trading automation and closer co-operation between European stock exchanges.

Arguing against the idea of setting up an American-style Securities & Exchange Commission, he said: "The creation of a central securities regulator would mean the end of the current system of self-regulation."

Central regulators had not been demonstrably more efficient than decentralised bodies, he added.

The lack of a German SEC has meant that the country has been under-represented at meetings of international regulators, notably the international securities forum Iosco. Now, in an important move, the finance ministry will replace the federation of stock exchanges. The latter did not have the authority of a governmental body.

Mr Neuber went on to criticise aspects of the EC directive on insider trading, which is due to be adopted in national law by mid-1991. The extension of the concept to "secondary insiders" (defined as anyone who can obtain information from a primary insider) could touch every customer of a bank, he argued, and hence jeopardise the important principle of banking confidentiality.

Westpac to absorb unit

WESTPAC Banking, the big Australian bank, is to absorb its investment banking unit, Bill Acceptance Corporation, Reuter reports.

Westpac Banking said: "In the current deregulated market, it is no longer appropriate to operate a separate merchant bank."

Bill Acceptance Corporation has assets of A$1.2bn and shareholders' funds of A$58m.

Westpac Banking said the unit was currently making a profit.

"The move will complete the integration with the bank of all Westpac Banking group merchant banking operations in Australia and New Zealand," it said.

Westpac Banking said that it had once attempted to sell Bill Acceptance, but could not find a buyer.

Accountants link to form international network

By David Waller

SPICER & Oppenheim International and NR International, two international networks of independent accountancy firms, are set to merge to form a network with a presence in 57 countries and annual fee income of more than $417m.

Spicer & Oppenheim has been seeking a merger partner since July when the UK firm of that name, the strongest practice in the worldwide network, unilaterally opted for a merger with Touche Ross, one of the world's big six accountancy firms.

NR International is centred on Neville Russell, a well established UK firm which earned fees of £32.2m ($63m) last year and ranks 15th in the UK. There will be a reshuffling of Neville Russell's existing international link-ups following the arrangement with Spicer.

In common with most international agreements between firms, there will be no financial integration, only a small pooling of expenditure to cover international marketing and other initiatives.

Ilva increases loan facility to $300m

By Simon London

ILVA, the Italian steel group, has increased its previously announced medium-term syndicated loan facility from $200m to $300m.

The five-year facility incorporates Ecu and D-Mark options, and was syndicated on a club basis to a group of 20 banks arranged by S.G. Warburg. For the first three years the facility carries a margin of 20 basis points over the London interbank offered rate, and a margin of 22.5 basis points thereafter.

The borrower is Italy's leading steel group and part of the state-owned IRI industrial holding company. Under managing director Mr Giovanni Gambardella, the company has been restructured.

Eurodollar yield spreads widen on uncertainty

By Tracy Corrigan

EURODOLLAR bonds are becoming increasingly cheap relative to the US Treasury market, yet there is little support for the market at current levels.

Since the start of September, yield spreads of Eurodollar bonds have widened by as much as 40 basis points against the US Treasury market. The tiering of the market has been accentuated, as the Middle East crisis triggered a flight to quality, as well as awakening fresh fears about the outlook for corporate America.

The top tier of borrowers, now limited to triple-A rated sovereigns, supranationals and government-guaranteed entities, has held up relatively well. However, corporate and asset-backed paper has taken a severe beating.

The trend became marked in mid-September. Investors, reviewing their portfolios in an attempt to reduce risk, decided that these bonds were vulnerable to impending recession in the US, and started unwinding positions. Asset-backed bonds, under threat from the potential impact of recession on the underlying assets, were also seen to be menaced by waves of supply waiting to be unleashed. Even triple-A rated corporate bonds have lost substantial ground in the shift from corporate credit.

International investors' distaste for dollar securities generally has served to reinforce the slide in Eurodollar bond prices. Japanese insurance companies, many of which have been buying the recent flurry of Japanese subordinated bank debt, have sold corporate Eurobonds to make room for the new paper.

"There is not a buyer of corporate Eurobonds in sight," says one dealer. The Treasury market rally which followed apparent agreement on US budget deficit reduction only prompted further selling.

The reaction may have been accentuated by the relatively tight spreads established prior to the Gulf crisis. Spreads had been narrowing steadily since March, as clients held tight to paper partly because of the outlook for lower rates.

The market is becoming increasingly tough to trade. "It is hard to get a feel for where the market is when there are no buyers," one dealer said.

Bid/offer spreads have widened, and many dealers are making indicated, rather than firm, prices. A number of houses have moved some issues, like Japanese bank paper, on to their illiquid book and off their active book.

Despite the market's weakness, traders are loathe to take short positions in Eurobonds. "There have been some delivery problems, and a lot of houses have stopped being automatic lenders [through the clearing houses]," one dealer lamented. Trading between dealers, which often occupies traders when investor interest dies, has all but evaporated.

The lack of liquidity and the slackness of spreads have left dealers unsure of how to assess value.

Bonds such as the World Bank's recent $2bn five-year offering have performed relatively well. The global bonds were launched at a yield spread of 31 basis points above the curve, and this has widened only moderately to 37 basis points.

But for corporates, credit quality has provided little protection. Toyota Motor Credit launched an issue of three-year Eurobonds in September at 39 basis points over the curve. The deal now trades at 60 basis points off.

General Electric's three-year Eurobonds have opened to 80 basis points over the comparable Treasury, from 33 basis points. Citicorp's ECCT 9 per cent Eurobonds due 1995, a credit card-backed deal launched at the start of the year, was trading at 45 basis points over the curve a few weeks ago, and is now quoted between 65 and 75 basis points off.

A three-year Ford deal, launched in July at 54 basis points over the curve, is now trading at 100 basis points off.

Usually, when spreads reach certain high levels, a wave of asset-swapping is triggered: investors exchange the fixed-interest payments for a floating-rate interest flow at a margin above the London interbank offered rate. Partly because swap spreads have also been widening, there has been no sign of asset-swapping.

"Certain key spreads used to bring in buyers, but the rules have changed," one trader said. "There are no back-stop bids any more."

European Coal and Steel in $153m deal

By Tracy Corrigan

IN SPITE OF the lack of demand for dollar securities and the poor performance of the two Eurodollar bonds launched on Tuesday, a further offering of dollar bonds emerged yesterday for the European Coal and Steel Community.

The $153m offering of 9⅝ per cent eight-year Eurobonds, swapped into fixed-rate yen, will match-fund an ECSC loan. It is ECSC's first financing in the dollar sector for four years. The borrower needed to tap the market, in spite of adverse conditions, to finance a yen loan, and the dollar market offered the most attractive funding, an official said.

INTERNATIONAL BONDS

The bonds were considered aggressively priced at 55 basis points above the interpolated US Treasury yield curve. The deal was supported on full fees of two points by lead manager Mitsubishi Finance.

Underwriters said demand for the bonds was negligible, and many sold their bonds back to the lead at break-even level. The deal was further hampered by the circulation of rumours during syndication that US troops had moved into Kuwait.

ECSC plans several more bond issues this year, to match-fund loans mainly to southern Europe, which will mostly be unswapped. The final amount of these loans is still under discussion.

Meanwhile, Citicorp's $845m issue of credit card-backed bonds, through Euro Credit Card Trust 1990-92, continued to suffer. The spread over the five-year Treasury widened to around 104 basis points when the deal was freed to trade yesterday.

The deal was priced to yield 99 basis points over Treasuries.

Meanwhile, Ente Ferrovie dello Stato, the Italian state railway, launched two Eurolira bonds totalling L800bn. The L300bn five-year fixed-rate deal and the L500bn 10-year floating-rate notes both met firm demand.

"The bonds went much faster than the Pendolino [Ferrovie's new train]," said Mr Roberto Magnifico, head of new issues at Banco di Roma.

The deals were both distributed primarily in Italy, where there is strong interest in issuers which are tax-exempt for Italian investors.

Two Australian dollar-denominated Eurobonds were launched, as demand in the sector continues to be supported by a steady stream of redemptions, providing retail investors with a flow of reinvestment funds.

The New South Wales Treasury Corporation launched a A$1bn issue of zero-coupon bonds which mature in 2020, the longest-dated issue to date in the market. Despite the high nominal amount of the issue, the borrower is only actually raising A$27.5m (since the issue price is just 2.75).

The low level of investment required encouraged keen demand, with particular interest from Dutch insurance companies, who can match-fund Australian dollar life insurance policies. The deal was bid at issue price.

The Government Insurance Office of New South Wales issued A$50m of three-year Eurobonds via Westpac.

● Bell South Capital Funding Corporation has issued NZ$75m of 13⅝ per cent three-year bonds priced at par in the US market. Merrill Lynch Capital Markets is lead underwriter.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Euro.Coal & Steel Comm.(a)◆	153	9⅝	101⅞	1998	2/1¼	Mitsubishi Fin.Int
AUSTRALIAN DOLLARS						
NSW Treasury Corp.(a)◆	1bn	zero	2.75	2020	½/¼	Hambros Bk
Govt.Ins.Office, NSW(a)◆	50	14½	101.95	1993	1½/1	Westpac
LIRE						
Ente Ferrovie D'Stato(b)†◆	500bn	(b)	101	2000	70/40bp	Bca.Nazionale D'Lavoro
Ente Ferrovie D'Stato(a)◆	300bn	12	101⅞	1995	1⅞/1¼	Banco Di Napoli

☆☆Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon pays 6-month Libid. Callable from November 1992 at par.

Banque Worms to buy broking activities

By George Graham in Paris

BANQUE WORMS, the French bank, has agreed to buy the private client activities of stockbroker Nivard Flornoy, with some FFr6bn ($1.2bn) of funds under management, from J.P. Morgan.

Morgan, which owned 92 per cent of Nivard Flornoy, will end with 100 per cent of the broking firm, to be renamed Société de Bourse J.P. Morgan, and will concentrate on providing stockbroking services to institutional and corporate investors.

Nivard Flornoy Gestion will become a separate unit of Banque Worms, which belongs to the Union des Assurances de Paris (UAP), with Mr Jacques Nivard remaining as chairman of the unit.

Nivard Flornoy was one of the most prestigious names on the old Paris Stock Exchange. Morgan had initially planned to take its stake up progressively as far as 80 per cent. However, losses estimated at more than FFr150m were caused by settlements problems, and this year Morgan had to inject fresh capital.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Oct 10 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Oct 9 Index No.	Mon Oct 8 Index No.	Fri Oct 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	710.14	-1.0	15.69	6.69	7.80	31.33	717.08	746.98	720.99	891.14
2	Building Materials (26)	972.83	-1.5	15.08	6.26	8.16	39.70	987.75	1019.24	945.95	1023.10
3	Contracting, Construction (35)	1152.71	-1.2	18.19	6.92	7.18	56.07	1167.14	1216.18	1089.15	1416.02
4	Electricals (10)	1921.38	-0.7	14.64	7.00	8.36	84.91	1934.71	2028.21	1948.73	2581.03
5	Electronics (26)	1558.19	-1.4	10.79	5.49	12.68	56.74	1580.45	1643.94	1614.48	1996.88
6	Engineering-Aerospace (8)	409.58	-0.7	16.46	5.89	7.30	15.17	412.63	431.92	432.97	0.00
7	Engineering-General (47)	369.71	-1.8	16.21	7.02	7.42	16.85	376.38	385.67	371.91	0.00
8	Metals and Metal Forming (8)	407.53	-0.6	27.96	8.19	4.35	17.02	410.14	425.51	417.72	457.23
9	Motors (13)	267.60	-1.3	19.10	8.87	6.10	14.41	271.17	286.72	287.84	354.36
10	Other Industrial Materials (23)	1168.83	+0.2	14.41	6.98	8.02	60.14	1166.84	1229.76	1216.11	1672.31
21	CONSUMER GROUP (176)	1197.04	-0.3	10.33	4.31	11.96	30.57	1200.43	1235.93	1194.40	1260.61
22	Brewers and Distillers (22)	1487.77	-1.0	10.51	3.97	11.52	33.61	1503.29	1542.40	1473.51	1434.48
25	Food Manufacturing (18)	1007.27	-0.4	11.52	4.85	10.70	28.13	1011.39	1044.19	1025.01	1128.97
26	Food Retailing (17)	2365.31	-0.6	10.09	3.53	12.62	50.82	2380.22	2424.52	2362.86	2344.57
27	Health and Household (16)	2417.17	+0.9	7.35	3.08	16.16	48.83	2395.16	2481.45	2469.95	2457.83
29	Leisure (32)	1210.88	......	12.37	5.20	9.78	39.79	1211.34	1244.85	1185.45	1623.43
31	Packaging & Paper (12)	485.54	-1.5	13.26	7.17	9.26	22.95	492.95	507.51	486.58	550.80
32	Publishing & Printing (14)	2845.42	-1.6	12.61	6.57	9.93	124.64	2890.54	2977.42	2868.94	3507.54
34	Stores (33)	805.88	-0.2	10.93	4.61	11.90	18.58	807.45	833.91	774.80	773.14
35	Textiles (12)	405.95	-0.8	14.71	8.74	8.62	20.31	409.37	415.08	410.15	511.04
40	OTHER GROUPS (107)	979.67	-1.2	12.91	5.99	9.39	32.00	991.69	1024.41	996.37	1132.77
41	Agencies (16)	1040.19	+1.6	10.44	3.19	11.62	22.25	1023.97	1052.67	1109.71	1536.58
42	Chemicals (24)	992.92	-0.3	13.38	6.71	8.83	46.81	996.27	1039.22	1020.79	1209.55
43	Conglomerates (15)	1318.34	-1.0	12.88	7.59	9.36	38.45	1332.12	1384.24	1340.80	1582.45
44	Transport (14)	1891.61	-1.0	12.83	5.54	9.87	65.20	1910.94	1952.95	1843.39	2176.80
46	Telephone Networks (3)	1099.88	-1.8	11.90	4.97	10.94	26.09	1120.20	1157.77	1109.80	1102.16
47	Water (10)	1944.39	+0.6	15.65	6.97	7.19	68.12	1932.40	1960.39	1927.36	0.00
48	Miscellaneous (25)	1502.13	-3.2	13.94	5.99	8.23	61.49	1552.39	1602.73	1564.55	1915.04
49	INDUSTRIAL GROUP (479)	1011.98	-0.7	12.30	5.35	9.96	32.22	1019.33	1053.26	1019.63	1143.39
51	Oil & Gas (21)	2415.13	+0.3	9.27	5.17	14.09	85.44	2407.80	2419.19	2409.25	2203.08
59	500 SHARE INDEX (500)	1126.27	-0.6	11.81	5.32	10.45	36.51	1132.58	1165.09	1132.96	1232.37
61	FINANCIAL GROUP (103)	700.54	-1.0	–	6.78	–	31.79	707.93	734.68	699.11	760.19
62	Banks (9)	749.10	-2.3	21.85	7.69	5.99	42.00	766.39	797.01	753.35	768.50
65	Insurance (Life) (7)	1360.39	-1.2	–	5.64	–	54.97	1376.54	1431.62	1352.02	1184.01
66	Insurance (Composite) (6)	616.87	-0.6	–	6.88	–	27.35	620.59	644.11	609.54	638.83
67	Insurance (Brokers) (8)	784.91	......	9.62	8.18	13.58	41.94	784.94	827.73	827.63	992.04
68	Merchant Banks (7)	358.00	+0.5	–	5.72	–	12.75	356.13	356.77	336.17	399.41
69	Property (45)	907.74	+0.9	8.32	5.36	15.87	25.08	899.54	937.04	913.28	1212.09
70	Other Financial (21)	246.65	-1.0	11.47	7.08	11.31	11.62	249.13	252.78	238.06	335.29
71	Investment Trusts (66)	991.19	-1.2	–	3.98	–	25.03	1003.30	1031.69	994.97	1215.82
91	Overseas Traders (5)	1163.20	-0.5	12.30	7.93	9.68	59.65	1168.85	1179.60	1166.21	1333.64
99	ALL-SHARE INDEX (674)	1021.20	-0.6	–	5.51	–	34.93	1027.82	1058.54	1026.04	1118.61
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 9	Oct 8	Oct 5	Oct 4	Oct 3	Year ago
	FT-SE 100 SHARE INDEX‡	2121.8	-12.3	2136.9	2104.0	2134.1	2201.6	2143.9	2070.4	2087.0	2218.8

FIXED INTEREST

	PRICE INDICES	Wed Oct 10	Day's change %	Tue Oct 9	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	117.93	-0.07	118.01	–	9.73
2	5-15 years	123.36	-0.15	123.55	–	10.60
3	Over 15 years	123.77	-0.01	123.79	–	9.84
4	Irredeemables	142.44	-0.43	143.05	–	8.85
5	All stocks	123.42	-0.12	123.57	–	10.33
	Index-Linked					
6	Up to 5 years	153.84	-0.10	154.57	0.57	3.04
7	Over 5 years	138.57	-0.15	138.78	–	3.12
8	All stocks	139.61	-0.15	139.86	0.04	3.11
9	Debentures & Loans	101.87	-0.01	101.87	–	9.20
10	Preference	73.26	-0.13	73.35	–	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 10	Tue Oct 9	Year ago (approx.)
	British Government				
1	Low	5 years	10.78	10.76	10.48
2	Coupons	15 years	10.77	10.76	9.73
3		25 years	10.77	10.76	9.57
4	Medium	5 years	11.52	11.45	11.23
5	Coupons	15 years	11.25	11.24	10.12
6		25 years	11.09	11.11	9.71
7	High	5 years	11.62	11.57	11.36
8	Coupons	15 years	11.47	11.45	10.34
9		25 years	11.35	11.35	9.87
10	Irredeemables†		10.96	10.91	9.61
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.01	3.95	3.90
12	Inflation rate 5%	Over 5 yrs.	4.33	4.32	3.71
13	Inflation rate 10%	Up to 5 yrs.	2.87	2.81	3.11
14	Inflation rate 10%	Over 5 yrs.	4.16	4.14	3.54
15	Debs &	5 years	14.06	14.11	13.37
16	Loans	15 years	12.77	12.77	12.43
17		25 years	12.35	12.34	11.78
18	Preference†		12.92	12.90	10.54

‡Opening index 2110.6; 9 am 2125.0; 10 am 2131.3; 11 am 2120.8; Noon 2113.3; 1 pm 2107.6; 2 pm 2106.0; 2.30 pm 2112.2; 3 pm 2107.9; 4.10 pm 2117.7; (a) 9.34am (b) 3.19pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	65	21
Corporations, Dominion and Foreign Bonds	1	7	13
Industrials	164	608	791
Financial and Properties	82	355	304
Oils	23	31	35
Plantations	0	3	7
Mines	17	56	83
Others	30	101	86
Totals	324	1,226	1,340

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct. 1
● Last Dealings Oct. 12
● Last Declarations Jan. 10
● For settlement Jan. 21

For rate indications see end of London Share Service

Calls in Aviva Pet., Community Hospitals and Premier Cons. Put in Mountleigh.

LONDON TRADED OPTIONS

UK EQUITY futures continued to drift lower yesterday as attention focused on tension in the Gulf and worries about the impact of higher oil prices. In the traded options market, dealing was largely technical as investors rolled over stocks that expire soon.

A rash of speculation about the Gulf and fading optimism after the cut in UK interest rates produced an erratic performance by index futures.

Some investors believe the prospect of another one point cut in interest rates will leave the market several hundred points higher by the year.

However, others take a more bearish view and believe the rise in oil prices and the absence of a settlement in the Gulf will continue to undermine the outlook for equities.

The December FT-SE 100 index closed at 2,181, down 19 points on the day. December's premium over the spot FT-SE index widened slightly to 64 points and compares with fair value of 45-50. As the futures market traded above fair value, some arbitrageurs sold futures and bought stock.

In the traded options market, turnover was higher, although this was due to investors rolling over expiring October contracts.

A total of 49,141 contracts changed hands, compared with 43,942 in the previous session. The FT-SE index traded 18,739 contracts, up by about a half. Put trading continued to dominate with October contracts proving the most popular.

Among the stock options, BP was the main feature, although this was mostly due to expiry-related activity. A rise in the oil price also prompted some modest call buying.

The other busier stock options included GEC (2,495 contracts), Amstrad (1,554), Hanson (1,410), and British Telecom (1,281).

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*459)	420	43	56	73	2	10	15
	460	10	32	47	16	26	29
	500	3	16	30	43	50	55
ASDA (*126)	110	17	23	26	1	5	5
	120	7	14	19	1½	7	9
	130	2½	10	14	7	13	16
Brit. Airways (*138)	140	4	11	14	7	13	17
	160	1	5½	9	25	25	27
[illegible]							

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Trafalgar (*201)	200	10	17	25	7	22	25
	220	3	8	17	22	35	38
	240	1½	5	11	42	55	57
Utd. Biscuits (*324)	300	16	34	40	2	9	13
	330	1½	16	25	18	25	28
	360	1	6	14	47	50	50
Unilever (*643)	600	45	73	92	2	17	25
	650	9	44	64	18	40	45
	700	2	21	40	65	68	65
[illegible]							

[illegible]

EURO FT-SE INDEX

[illegible]

FT-SE INDEX

[illegible]

UK COMPANY NEWS

Davy Corp pays £21.4m for Expanded Piling

By Richard Gourlay

DAVY CORPORATION, the British-based engineering group facing problems with North Sea oil platform contracts, has paid £21.4m for Expanded Piling Group, which comprises three piling and ground engineering companies.

Monk Construction, Davy's main construction and property company, is to pay £12.8m in cash and the balance in unsecured loan stock for the company, which in the year to August 1989 made pre-tax profits of 4.5m on turnover of £16m.

Mr Maurice Couchman, Davy Corp's chief executive for construction, said the acquisition would provide in-house piling and engineering capability. Monk had been at a disadvantage within the sector compared to Trafalgar House and Balfour Beatty by not having an integrated piling operation, according to stockbrokers Kleinwort Benson.

Davy is paying five to six times earnings for Expanded Piling, which had net assets at the acquisition date of £9m. Analysts said that taking account of Expanded Piling's net cash position, Monk had paid a good price, although the acquisition came at the top of the sector's business cycle.

Pre-tax profits from Davy's construction division last year jumped 50 per cent to £12.3m, 41 per cent of group profits of £30m. Construction normally accounts for about 20 per cent of group profits. However, there were losses of £26m in 1989 in the offshore division because of problems with its Emerald field contract in the North Sea.

Expanded Piling consists of three private piling companies, with a head office in Grimsby. Through the sale, Mr Rowland Smith, the retiring chairman, has severed his family's connection with the company.

Expanding distribution side helps Fitzwilton make I£4.8m

By Andrew Bolger

FITZWILTON, the rapidly-expanding holding company headed by Irish-American businessman Mr Tony O'Reilly, yesterday reported a 41 per cent increase in pre-tax profits from I£3.38m to I£4.8m (£4.28m) in the six months to June 30.

Earnings per share fell slightly to 3.08p (3.14p) on capital increased by the rights issue in April to help fund the purchase of a 9.4 per cent stake in Waterford Wedgwood, the loss-making glass and china concern. The interim dividend was maintained at 1.5p.

Turnover increased to I£188m, against I£44.65m in the corresponding period. However, the figures are not comparable because in May 1989, the group's motor trader Keep Trust changed from being an associate to a subsidiary.

Fitzwilton yesterday also announced the acquisition of a Yorkshire-based cash-and-carry operation, Brook and Company. Its stores in Leeds and Barnsley will be integrated into the expanding distribution division, which includes Roy Hall, Manchester, and the M6 network of five outlets.

Brooks will be paid for with an initial cash payment £3.63m, the issue of £2.78m in redeemable loan notes next April and a final cash payment next June of not more than £850,000. Brooks had net assets of £2.4m in April and is currently trading profitably.

Mr Kevin McGoran, deputy *chairman and chief executive*, said the acquisition was part of its expansion of the wholesale distribution division, which had substantially increased pre-tax profits in the first half.

Steering growth, Tony O'Reilly (left) and Kevin McGoran

The motor division's broad spread of dealerships and geographical locations, combined with a high percentage of revenue from sources other than new car sales, had minimised the effects of high interest rates. Three outlets with new dealerships had been acquired this year – Toyota, Rover and Peugeot.

Significant progress had also been made at Waterford Wedgwood. The bitter three-month strike at the Waterford crystal plant ended this summer with management succeeding in extending the working week and ending controversial bonus payments.

● COMMENT

Shareholders who supported April's rights issue of 33m shares at 120p must be feeling pretty disgruntled about the subsequent performance of the stock, which yesterday closed 2p higher at 70p. The price seems to have suffered from the glut of paper and market unease concerning motor traders and the industrial dispute at Waterford. Arguably, this reaction has been overdone. Fitzwilton's cash-and-carry business is a good defensive hold and the group's low reliance on new car sales has also sheltered the motor side from the worst of the recent downturn. The Waterford Wedgwood venture is more speculative, although the initial stake is limited to 9.4 per cent, with options to increase that to 29.9 per cent. New Brokers Panmure Gordon are forecasting pre-tax profits of I£14m and earnings of 8p for the full year. That puts the shares on a prospective multiple of 8.75 – not too demanding for those who wish to back the management flair of Mr O'Reilly and his team.

Corton Beach asks bankers for receiver

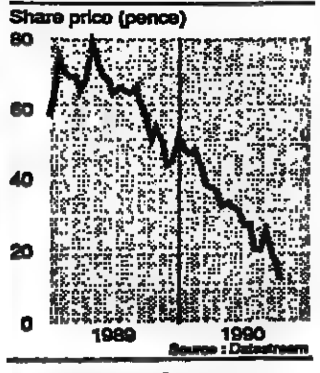
By Clare Pearson

GLOOM DEEPENED in the smaller companies sector yesterday when Corton Beach, the once-acquisitive mini-conglomerate with Mr Michael Keen as chairman, said that it had requested its bankers to appoint a receiver to take charge of its affairs.

The statement said that the directors had presented a proposal to refinance the company but the group's bankers were unable to accept.

The statement also said that the directors hoped that buyers for the group's motor, food and leisure businesses would emerge. The ordinary shares were suspended at 12p.

Corton Beach



Corton Beach had been seeking support while it carried out a series of asset sales to reduce borrowings.

In its results for the half-year to the end of July, announced slightly earlier than expected, the company revealed that its taxable profits had almost halved from £2.28m to £1.23m.

Yesterday's announcement follows the resignation last Friday of Mr Keen as non-executive chairman of the leisure wear concern Propeller, a fellow USM company in which Corton Beach had a 22 per cent stake.

Storehouse

Storehouse, the retailing group, said that its 21 Mothercare stores in Switzerland and Austria were to be franchised to Future Care Holding, a privately-owned Swiss company.

That would bring the number of franchised Mothercare outlets to 79 in 22 countries. As part of the deal, Storehouse is to sell its Mothercare interests in the two countries for SFr 4.1m (£1.6m) in cash. It may receive a further SFr 1m depending on the stores' future profits. As a result of the disposal, Storehouse will incur a net extraordinary loss of £4.5m.

Divisive opinions in a divided island

Kerin Hope charts Cypriot reactions to the Polly Peck imbroglio

A 100 Turkish lira stamp issued by the Turkish Republic of Northern Cyprus, an entity recognised only by Ankara, shows a vessel owned by a subsidiary of Polly Peck International loading oranges at Famagusta port.

Both Polly Peck's operations and those owned separately by its chairman, Mr Asil Nadir, the richest native son of the divided island's Turkish sector, are clearly crucially important to the economy of northern Cyprus.

Tomorrow Polly Peck faces what may be a make-or-break meeting with creditor banks in London. The financial status of its Cypriot businesses is a key factor, both in terms of their cash resources and possible proceeds if sold.

The parent company folds its Cypriot operations into the broader category of Near and Middle East, which accounted in 1989 for turnover of £405m and operating profits of £107.7m, respectively 35 per cent and 67 per cent of the group totals.

But according to local Cypriot businessmen, a conservative estimate is that the group's subsidiaries contribute at least 25 per cent of gross national product in the breakaway Turkish Cypriot state, which totalled $425m last year.

The Nadir Group of Companies, an umbrella sheltering seven Polly Peck subsidiaries, is the biggest taxpayer in northern Cyprus and the second largest employer after the state. It accounts for 5,000 jobs, not counting between 2,000 and 3,000 seasonal workers.

The companies are:

● Sunzest Trading, which exports locally grown citrus, orange juice concentrate and potatoes;

● Uni-Pac Packaging, which produces and exports cartons;

● Pearl Construction, responsible for building two recently completed four-star hotels and another five-star establishment still under construction;

● Wearwell, the clothing company with which Mr Nadir's London stock market career started in the 1970s. Its Nicosia factory is supervised by his mother;

● ICP (Cyprus), a small pharmaceuticals manufacturer;

● Vestel Electronics-Niksar Water Bottling, said to be a subsidiary for distributing the Polly Peck group's televisions and bottled water;

● Voyager (Cyprus), which operates the Girne View and Palm Beach hotels.

Mr Nadir's personal holdings on the island include a bank, the Cyprus Industrial Bank; a publishing company, AN Graphics, which puts out three daily newspapers and an English-language weekly; and Comar, a company which carries out public opinion polls.

The Nadir Group's results are not made public in northern Cyprus. According to a Chamber of Commerce official, it is not required to produce a balance sheet locally because it is part of Polly Peck, which is not registered in the island.

Local businessmen say that Sunzest has improved its position markedly over the past three years and now controls almost two-thirds of the $35m citrus export market. "Considering that last winter showed exceptionally high [retail] prices, a profit margin of 30 to 40 per cent on citrus for an outfit like Sunzest that has its own distribution channel would certainly be reasonable," said one local analyst.

Uni-Pac supplies packaging to the other major citrus exporter, state-owned Cyprfruvex, and reportedly exports more than half the cartons it produces.

Prospects for the Nadir Group's hotels look bright, with foreign tourist arrivals forecast to rise by more than 25 per cent this year to about 75,000. Noble Air, a charter carrier owned by the Nadir family, flies in British and German tourists.

Full benefits from the hotel operations may take time to come through. The luxurious Jasmine Court Hotel outside Kyrenia was built on the skeleton of a Greek Cypriot apartment development abandoned in 1974. It cost an estimated $150m, with fixtures imported from the US and Italy, but the opening was delayed by several months.

Last week, just a few British tourists were sprawled around the swimming pool. Construction of the five-star Crystal Cove hotel is also reportedly well behind schedule.

It is not clear whether Mr Nadir will be able to raise the £70m he said last week he was seeking to remit from northern Cyprus unless substantial transfers are made from Turkey. According to figures issued by the Central Bank of Northern Cyprus in June, foreign currency reserves amounted to only $144m (£73.15m), while local currency deposits totalled TL211bn ($95m).

Rauf Denktash: dubbed Asil Nadir 'economic commander'

Feelings in northern Cyprus seem mixed about Mr Nadir's financial difficulties. As the son of a Turkish Cypriot small businessman, he is a local success story to be proud of. At the same time, his enthusiasm for investing in northern Cyprus has proved a catalyst for much-needed development.

But Mr Nadir's close relationship with Mr Rauf Denktash, the Turkish Cypriot leader, combined with the ease with which he has acquired attractive properties that formerly belonged to Greek Cypriots, have drawn criticism from rival contractors and opposition politicians.

Dubbed "the economic commander" of northern Cyprus by Mr Denktash in a recent speech, some also frown on Mr Nadir for hiring more than a dozen former senior Turkish Cypriot administration officials to some of his local companies.

"Economic development is badly needed. I'm not against that," says Mr Mustafa Akinci, a former mayor of Nicosia and Mr Denktash's leading political opponent. "But the monopoly on projects that Mr Nadir seems to have is more than unfair."

A few days after a demonstration in Nicosia had supported Mr Nadir, windows were smashed at the offices of his Kibris newspaper. Last week, more than 50 staff at AN Graphics, Wearwell and the pharmaceuticals plant were laid off.

"Mr Nadir's troubles affect all of us in northern Cyprus. People here should be praying for him," says Mr Suleyman Erguclu, the editor of Kibris.

Mr Nadir's local managers are also not always helpful to outside inquiries. At the weekend, visitors were not welcome at the Uni-Pac offices above the plant in the free zone at Famagusta. The management was said to be in a meeting "for the rest of the day" and a company official refused to disclose their names or even a telephone number.

But at the Jasmine Court Hotel, which opened on the day Mr Nadir was interviewed in London by the Serious Fraud Office, hotel staff were keen to show off the facilities and give details of how much the elaborate furniture and fittings had cost.

Information can be hard to elicit in northern Cyprus at any time, since visitors from the southern Greek Cypriot sector are generally accompanied by a Turkish Cypriot official.

This is partly because of the local administration's view, which is shared by Mr Nadir's newspapers, that Greek Cypriot *officials determined to* undermine the Turkish Cypriot economy have helped stir up trouble in London for Polly Peck.

Mr Nadir's affairs are closely followed in the south of the island. The Cyprus attorney general's office has taken advantage of Mr Nadir's difficulties to launch a police investigation into accusations that Sunzest trades in stolen property – the citrus crops from groves that formerly belonged to Greek Cypriot growers. The Greek Cypriot government itself is carefully keeping its distance from the inquiry.

NEWS DIGEST

W Lawrence reduced to £3.54m

DIFFICULT trading conditions in UK housebuilding, particularly in the south-east, left profits of Walter Lawrence down by £1.58m at £3.54m pre-tax for the first half of 1990.

The interim dividend is being held at 2p from earnings 3.1p lower at 2.9p.

Mr Mick Prichard, chairman, warned that current trading conditions were extremely difficult and he added that there was unlikely to be any upturn in the UK housing market until there was a meaningful reduction in interest rates.

He pointed out, however, that the group had an excellent land bank to support its future housebuilding programme.

In southern California the West Development Company turned in a solid performance, increasing its profits contribution in the first half. Mr Prichard said, however, that house sales in California were becoming difficult and this was likely to affect West Development in the second half.

Turnover expanded from £114.9m to £119.69m. Interest charges rose to £5.28m (£3.94m).

The directors said that at the half-year end debt stood at more than £50m, putting gearing in excess of 100 per cent.

Polymark declines to £0.93m

Polymark International, the laundry equipment distributor, experienced a £176,000 downturn in pre-tax profits to £931,000 for the six months to end-June.

Continuing operations accounted for £9.2m (£8.29m) of total turnover amounting to £16.74m (£21.1m) and for £588,000 (£440,000) of total operating profits of £879,000 (£1.06m).

An extraordinary credit of £8m (debit £160,000) resulted from the sale of the French division to its management earlier this year.

Basic earnings worked through at 4.52p (3.69p). Fully diluted the figure was 2.95p (2.76p).

The directors said that while trading conditions in the short term were likely to be influenced by the prevailing economic climate, the group was now well able to weather a downturn in business. They added that prospects for the long term remained encouraging.

They added, however, that in the current climate they did not consider it appropriate to resume ordinary dividend payments.

Jermyn Investment lower with £0.16m

Jermyn Investment Co reported pre-tax profits of £155,310 for the six months to June 30. That compared with £1.72m in the first half of 1989, which was boosted by £1.8m from share of related companies' profit. Input from that source this time was £104,109.

All other areas achieved profit advances. Net property income came to £45,600 (£34,974), income from fixed assets was £29,444 (£10,517) and net profit on disposal of fixed assets was £77,753 (£36,552).

After tax of £54,360 (£608,381) earnings per share came through at 5.05p (55.8p) basic.

Wensum 15% ahead and pays 1.15p

Wensum, clothing company, yesterday reported a 15 per cent increase in pre-tax profits from £321,000 to £369,000. Sales in the six months to July 28 rose from £4.15m to £4.59m.

The company joined the USM in July 1989. It is paying a maiden interim dividend of 1.15p on lower earnings per share of 3.21p (3.33p), which reflected the increased share capital.

Mr Andrew Hughes, chairman, said both of the company's two main areas – corporate clothing and menswear – had fared well during the first half. The group had an excellent forward order book and was currently trading well.

Dauphin profits advance to £2.27m

Profits of Dauphin, the office seating and specialist engineer, rose from £1.83m to £2.27m at the pre-tax level for the half year ended June 30.

Turnover advanced to £11.74m (£10.65m). The interim dividend is being lifted to 1.7p (1.5p) from earnings of 6.8p (5.46p) per 5p share.

The directors did not expect second half profits to match those for the same period a year ago. They said, however, that Dauphin was seeking to increase market share and broaden its activities both organically and via acquisition.

13% rise at Central & Sheerwood

Central & Sheerwood, the once ailing engineering and property development group headed by Mr Robert Maxwell, made further progress in the six months to end-June.

At the pre-tax level profits improved nearly 13 per cent from £1.2m to £1.35m from turnover £1.22m ahead at £26.49m. An interim dividend of 0.1p (nil) is being paid from earnings of 0.27p (0.26p) per 1p share.

Engineering profits rose to £1.3m (£958,000), while the property contribution fell from £365,000 to £120,000.

Barlows more than doubles to £192,000

Substantially lower financing costs helped Barlows, the north-western property investment, development and trading group, lift pre-tax profits from £89,000 to £192,000 in the six months to the end of June.

Although turnover was down at £1.05m (£1.14m) and operating expenses rose to £574,000 (£366,000), financing costs were less than half last time's £684,000 at £279,000. Within turnover, rental income increased slightly to £949,000 (£931,000) but the disposal of trading properties accrued only £96,000 (£208,000).

Earnings grew to 0.62p (0.43p) per share and the interim dividend is maintained at 0.825p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BNB Resources, Cohen (A.), Jerome (S.), London Atlantic Inv. Trust, New Ireland Hldgs., Quarto, Wills.

Finals- Microfilm Reprographics, TR Far East Income Trust, Town Centre Securities.

FUTURE DATES

Interims-	
Atlas Converting Equip.	Oct. 16
Boots	Nov. 14
Le Creuset	Oct. 23
Storehouse	Nov. 8
TDS Circuits	Oct. 22
Usborne	Oct. 26
WB Industries	Oct. 12
Finals-	
River & Merc. Extra Inc.	Oct. 16
Whinney Mackay-Lewis	Oct. 10

UK COMPANY NEWS

Banks unhappy about assets offered as security against loans

Manpower's £106m sale hits snags

By Maggie Urry

MANPOWER'S £106m sale of five UK employment agency chains to a management team has hit last-minute problems and will not now be completed by tomorrow as originally expected.

Bank lenders to Brook Opportunities, the buy-out vehicle, appear to be dissatisfied with the assets they are being offered as security for their loans.

The news came just before the stock market closed yesterday with Manpower shares unchanged at 53p.

The deal, announced last month, was to sever finally the connection between Manpower, the US-based employment agency group chaired by Mr Mitchell Fromstein, and Blue Arrow, the company then headed by Mr Tony Berry which took over Manpower two years ago in a £800m deal.

That deal ended in scandal when a rights issue to finance it flopped.

Since then Mr Fromstein, who left the group in late 1988, has returned, ousting Mr Berry. He changed the company's name back to Manpower and reverted to its US base.

Announcing the delay in completion yesterday, Manpower said: "Brook Opportunities is currently in discussions with its financing partners and is considering with Manpower possible solutions to allow the transaction to proceed."

Manpower said it was prepared to extend the completion date of the sale, and that a delay was not critical to its business.

However, there seems to be pressure on Brook Opportunities to come up with a solution within days rather than weeks to end the uncertainty over the businesses.

The buy-out of the five chains, including Brook Street but excluding the 120-branch UK Manpower chain, is being organised by Prudential Venture Managers.

Mr Paul Brooks, managing director of PVM, said yesterday that he could not comment on the nature of the problem but added: "We are working hard to to find a solution."

Under the terms of the sale contract, the price and details of the financing of Brook Opportunities cannot be changed without Manpower returning to shareholders to ask for approval of new terms. It appears to be reluctant to do this.

Manpower plans to retain a 15 per cent equity stake in Brook Opportunities which is aiming to have £42m of equity with the balance of the purchase price funded by mezzanine debt and bank borrowings.

When the deal was first announced Mr Fromstein said: "The transaction was a difficult one to structure given the current soft market conditions for divestitures and leveraged buy-outs."

US sale to realise $12m less for Saatchi

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled marketing services group, has been forced to reduce the price for the sale of Gartner Group, one of its US subsidiaries, to about $54m (£29m). This is roughly $12m less than had been originally expected.

Earlier this summer Saatchi, which is selling its management consultancies in an attempt to reduce its debt, reached agreement to sell Gartner, a computer services consultancy, to Information Partners, a US investment fund.

Information Partners, which is backed by Dun & Bradstreet, the market research group with which Mr Robert Louis-Dreyfus, Saatchi's group chief executive, has close links, agreed to pay $66m for Gartner.

That sum was composed of $55m in cash, subject to estimated adjustment of $4m, and $15m in paper.

Since the deal was struck, Gartner's performance has deteriorated. Information Partners has also had to allocate a higher proportion of the equity than initially expected to Gartner's management to secure its co-operation. It has agreed to give the management about 30 per cent of the shares, rather than the 20 per cent originally envisaged.

As a result the terms of the deal have been renegotiated. Saatchi will now receive about $36m in cash (after an adjustment of $7m), together with $5.5m in a promissory note and $15m in paper. Information Partners will put $2.5m of the cash in escrow in case further adjustment is necessary.

Saatchi's shares yesterday fell by 2p to 34p.

Saatchi is now trying to complete the sale of its remaining consultancies.

Mr Louis-Dreyfus intends to close CPC, a real estate consultancy in the US, unless it can conclude a management buy-out.

However he hopes shortly to complete the disposal of McCaffrey & McCall, one of Saatchi's US advertising agencies, and, in the longer term, of Litigation Sciences, its US legal consultancy.

Video hire group's depreciation puzzle

A period of reassessment may be in store, says David Owen

THE ART of accountancy pertaining to the video rental business does not have the ring of a box office smash. It has periodically acquired the status of a "vexed issue" to its cult following of industry executives and sundry investors, however.

This week's profit warning by USM-listed Xtra-vision, pending a revision of its video tape depreciation policy, may usher in just such a period of introspection and reassessment.

The state of play is as follows:

The leading force in the £550m UK video film-hire market is Cityvision, owner of the Ritz Video chain of outlets. In its annual report for the year to November 30, the group claimed 15 per cent of the market, against less than 3 per cent for its nearest rivals.

Under current accounting policies, both Cityvision and Xtra-vision treat their tape libraries as fixed assets, depreciating them on a straight-line basis over their expected useful life of 30 months to an estimated residual value. According to Xtra-vision, this residual is £3. In the case of Cityvision, it amounts to "about 14 per cent of cost," according to Mr Terry Norris, managing director.

While it has yet to determine precisely what its new guidelines will be, Xtra-vision is poised to move to a more conservative policy. "Obviously, the direction we will go in will be to shorten the length of time over which we write off a tape," according to Mr Sal Perisano, chief operating officer.

Cityvision, however, actually doubled its tape depreciation period from 15 months in 1988. This helped to treble pre-tax profits from £1.54m to £4.62m for the six months to end-May 1989. The company's justification for the change was to bring the depreciation period into line with the average revenue-earning life of its tapes.

Although the group maintained its impressive progress over the year – raising profits for 1989 from £5.4m to £12.5m (and the number of Ritz stores from 165 to 508) - its shares have recently languished, slumping from 146.6p in January to 64p at yesterday's close.

Xtra-vision has now slipped as low as 110p, against the 148p level at which the group came to market in May 1989.

As this week's announcement from Xtra-vision suggests, there appear to be significant doubts in some circles regarding the adequacy of current depreciation parameters in the context of today's video market.

The critical change, the doubters say, is the development of the so-called video "sell-through" market whereby videos are sold through the likes of Woolworths and WH Smith, typically for £9.95.

The average time between a successful feature film being made available to video rental stores (at £30-£60 a tape) and its appearance on the sell-through shelves is currently about 12 months. Under a 30-month depreciation policy, this can result in a rental company having a used tape on its books at more than £30 at a time when an identical, but brand-new product, is on general sale for under £10 – an apparent anomaly.

This is why Homerun Video, a comparatively small video-hire store operator, depreciates its top titles down to £10 within 12 months, allowing the balance to run off over two years. So-called library stock is written off over three years, equating to a tape's anticipated commercial life before it wears out.

Cityvision's Mr Norris views the sell-through market as "an irrelevance", however. "We are not required to value fixed assets on a net disposable value basis," he says. "You have to value them on the basis of their use to the business you are looking at."

A substantial number of films are, moreover, not released to the sell-through market, he adds. At November 30 1989, more than 60 per cent of Cityvision's tangible assets were in the form of its tape libraries.

Mr Norris says that Cityvision "ends up with a gross margin of between 75 and 80 per cent because we are making four-to-five times more revenue from a tape than we are paying for it.

"Our investment in new stock roughly balances depreciation, so cashflow and profit are very similar when you take out the effect of new stores."

Among the changes being considered by Xtra-vision are the adoption of a two-tier approach, similar to Homerun's, whereby top titles are written off faster than the rest of the stock, and a switch to regarding tapes as current assets.

"That puts tapes in the category of stocks and gives you a bit more flexibility," says Mr Perisano. "We might open cash-and-carry outlets selling mostly ex-rental videos."

Mr Norris remained firm yesterday that Cityvision did not intend to modify its depreciation parameters.

The group kept the situation under review and had discussed the subject earlier in the week with its auditors. "Just because Xtra-vision sneezed, you cannot expect us to put on our coats," he said.

On the possibility of reclassifying tape libraries as current assets, Mr Norris said the company was not allowed to, since it was not holding them for resale.

"At the point at which we are saying 'That tape is no longer held for renting', then it should be reclassified. When we do decide that, they are," he said.

Minorco buys first mine in Europe

By Kenneth Gooding, Mining Correspondent

MINORCO, THE Luxembourg-quoted investment arm of the Anglo American Corporation of South Africa, has bought its first European mine. Minorco is transforming itself into an operating natural resources group.

It has paid £14.9m cash for a 80.55 per cent interest in Beralt Tin and Wolfram (Portugal), which operates the only Wolfram mine in Europe producing tungsten concentrate

The deal also marks the withdrawal of Charter Consolidated of the UK from mining in order to concentrate on its industrial activities. Charter is perceived as part of the Anglo American "family" as Minorco owns 35.8 per cent.

Charter, which auctioned Beralt in two stages to the highest bidder, will receive £11.1m for its 75 per cent of the Beralt holding and £3.8m will go to its former partner in the venture, Union Carbide, the diversified US group.

Minorco is buying net assets valued at £9.3m at March 30. Beralt, suffering because the tungsten market is depressed by Chinese dumping, recorded a taxable loss for the year of £86,000.

IPE, the Portuguese state holding company, owns the rest of Beralt, which employs about 700 people and produces 2,000 tonnes of tungsten a year at its Panasqueira mine in northern Portugal.

Mr Roger Phillimore, Minorco's joint managing director, said that the purchase fitted his company's strategy in that it would have operational management control and access to Beralt's cash flow. "The mine has a high-quality ore body, with low costs and a long life. But if it is to be profitable, it needs some love and attention and some investment. Charter was not willing to provide that."

Mr Phillimore said the deal, apart from providing Minorco with its first European mine, also gave the company a foothold in the Iberian peninsula, "which has good exploration potential."

Seafield leaps to £8.2m but passes dividend

Several property realisations, have boosted the interim pre-tax result of Seafield, writes Peter Pearse.

The company, which added retail development to its previous transport and warehousing businesses with the acquisition of Charterhall Properties in September 1989, reported taxable profits of £8.18m (£403,000) in the first half of 1990.

However, Mr Brian Chilver, the former head of Laing Properties who became chairman in July, said that, in the light of current market conditions, no interim dividend (0.4p) was being declared. Indeed, he warned that it was unlikely that a final payment (2p) would be made either. He explained that, allowing for a drop in values of between 15 and 20 per cent, the commercial property division was currently geared at about 55 per cent.

A breakdown of the pre-tax figures reveals that disposals of development properties accrued £6.97m (£147,000) on turnover of £3.78m (£290,900); net rental income was £1.14m (£4,000) on gross rental income of £1.62m (£5,000); and warehousing and transport contributed a higher £730,000 (£265,000) on turnover of £8.56m (£1.64m). Interest this time took £651,000 (£13,000).

Mr Chilver said that the extraordinary charge of £673,000 (nil) related to a provision against the non-payment of the second instalment of the repayment of a £1.28m fee made to Citigib Management Consultants, a Gibraltar company connected with Mr Dennis Jones, a former Seafield non-executive director.

Mr Chilver said that Mr Jones had undertaken to procure repayment with interest and that the first tranche of £750,000 was repaid at the end of June. However the second tranche was not paid on the September 30 due date and the company had failed to trace or make contact with Mr Jones. The matter was now in the hands of Seafield's solicitors.

Group turnover totalled £18.96m (£1.84m) and earnings increased to 7.9p (2.1p) per share.

Tough conditions leave Austin Reed 56% lower

By John Thornhill

Tony Andrews

Barry Reed – the second half will continue to be tough

AUSTIN REED, the upmarket clothing retailer and manufacturer, experienced a 56 per cent fall in interim pre-tax profits from £2.05m to £905,000 as it struggled in the face of tough retailing conditions.

Sales slipped from £41.14m to £40.81m in the half year to August 11 although exports continued to grow.

Operating profits fell heavily from £3.58m to £2.41m but the interest charge was marginally reduced at £1.5m (£1.52m).

The company said that men's clothing – which apparently is always affected worse than womenswear in tight economic times – experienced a fall in sales.

Better results were achieved in the womenswear division which held sales at roughly the same level as last year.

Austin Reed faced an especially harsh trading environment in the US where it has a small chain of shops trading under the Cashmeres of Scotland logo.

But the company is seeking to limit its exposure to the market by closing stores. One has already been shut and four more will follow in the second half leaving six still trading.

The manufacturing division increased its export sales and Austin Reed International was said to have performed particularly strongly in its major European markets.

Mr Barry Reed, chairman of Austin Reed, said Britain's decision to enter the exchange rate mechanism and the small reduction in interest rates must be good news in the long term. But he warned that the second half would continue to be tough.

The company maintained its interim dividend at 3p. Earnings per share fell heavily to 2.1p (4.8p).

● COMMENT

Given the unforgiving nature of the markets it operates in, this was a reasonable performance from Austin Reed, but it was still not as good as analysts were looking for and the shares slipped sharply yesterday. The outlook for the second half continues to look bleak although Austin Reed will benefit from the refitted Regent Street store – which opens today – and the rationalisation programme it has launched in the US. For the full year pre-tax profits may stagger ahead to between £4.5m and to £5m which puts the company on a prospective rating of about 14. That still looks high given the immediate outlook although it may prove justified in the longer term as profits will probably recover strongly when the trading climate improves.

Grampian Hldgs flat at £3.8m

By Jane Fuller

CONTINUED LOSSES in retailing and a dive in Australian demand for sheep dip limited the pre-tax profit increase at Grampian Holdings, the Glasgow-based mini-conglomerate, to less than 3 per cent in the first half of the year.

The taxable figure advanced to £3.82m (£3.72m) on turnover up 18 per cent to £67.34m (£57.24m), helped by acquisitions. Some disappointment at the profit figure contributed to a 7p fall in the share price to 116p.

Mr Bill Hughes, chairman and chief executive, said the retail business had seen a 63 per cent turnover increase, but had lost £524,000, similar to the previous interim figure. The tourism-related mill shops usually lost money in the first half. Savings were being made as the James Pringle acquisition was integrated.

Since the Gulf crisis, the main focus of concern had been the group's transport division, where taxable profits slipped to £1.25m (£1.47m) after cost increases.

To deal with the fuel price rise, Mr Hughes said that any increase above 28.5p per litre (up to 8p more so far) was being passed on to customers on a weekly basis. The volume of business remained strong because of the buoyant Scottish economy.

The biggest contributor to turnover at £24.81m (£21.74m) was sports goods, while pre-tax profits advanced to £1.26m (£1.03m). For Mitre soccer boots and balls, the third quarter was the most important and orders had proved strong. In golf gear, Ben Sayers had done less well in the south of England.

Patrick, the French soccer goods subsidiary bought from the receiver three years ago, had recovered to break-even. Mr David McGibbon, finance director, said Grampian had not gained full ownership rights until last autumn, delaying cuts which had now been made.

Again the biggest profit contributor was animal pharmaceuticals, which made £2.28m (£2.05m) on sales of £15.44m (£13.65m). Mr Hughes said that although "the sheep market was in a mess in Australia", the UK business had improved profit by 18 per cent.

Interest charges had risen from about £1.25m to £1.75m, said Mr McGibbon. Gearing was expected to be about 40 per cent in December.

Earnings per share were flat at 4p (4.07p).

The interim dividend goes up to 1.5p (1.3p).

● COMMENT

Apart from the Australian sheep shock, there was some reassurance on the outlook, with animal pharmaceuticals in the UK remaining the star performer. In transport, it is apparently proving easier to pass on costs when the customer knows there is a crisis than it was when the upward pressure came merely from the Budget. On the sporting side, the Patrick problem seems at last to have been sorted out. At the mill shops, the trouble was seasonal rather than fundamental, although demand was weak in August and early September. The full-year pre-tax profit is forecast to rise to between £13.5m and £14m (£12m), giving a prospective p/e of just over 8. The stock used to be fashionable and trade at a considerable premium; now it is at a discount. With the share price falling to less than half its 1989 high, the stock may now be worth buying, although little progress is expected in the short term.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amstrad	fin	1	Nov 23	1	1.4	1.4
Austin Reed	int	3	Dec 3	3	-	9.5
Berlows	int	0.825†	-	0.825	-	2.475
Central & Sheer*	int	0.1	Jan 7	nil	-	0.1
Dauphin	int	1.7	Nov 26	1.5	-	4.8
Fitzwilton	int	1.54†‡	Jan 2	1.5	-	3.5
Grampian Hldgs	int	1.5	Nov 13	1.3	-	4.3
Hi-Tec Sports	int	1.6	Dec 6	1.5	-	4.5
Lawrence (W)	int	2	Jan 2	2	-	7.5
Seafield	int	nil	-	0.4	-	2.4
Sinclair (Wm)	fin	4.8†	Nov 9	4	6.3	5.25
Wensum §	int	1.15	Nov 19	-	-	1.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Irish currency.

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Soviet boost predicted for European mining

By Kenneth Gooding, Mining Correspondent

A NEW European mining industry – accounting for about a third of total world output of most minerals – will emerge as operations in western and eastern Europe and the Soviet Union gradually merge, it was suggested yesterday.

The process might be hastened by the Soviet Union's shortage of capital to buy urgently-needed mining technology and to replace outdated equipment, Mr Magnus Ericsson of the Stockholm-based Raw Materials Group consultancy organisation said at seminar in London.

This might force the Soviet and other eastern European governments to sell parts of their mining industries, particularly to get the capital for the introduction of less-polluting technology.

Mr Ericsson added: "Technology is the oldest field of east-west co-operation, hence it is an area in which there is considerable experience on both sides."

These moves would diminish state control "and pave the way for increasing influence by western companies and, finally, for direct foreign control over the Soviet and eastern European mineral resource industry and mineral resources."

Speaking at a seminar organised by the Metal Mining Agency of Japan, Mr Ericsson suggested that companies that had a history of dealing with the Soviet Union, and had personal contacts, would have an advantage and would soon be in a position to negotiate novel deals with the Soviet and other eastern European governments.

These were mainly European companies such as Outokumpu of Finland, Boliden of Sweden, Metallgesellschaft of Germany and Pechiney of France.

Mr Ericsson pointed out that the Soviet Union was the world's leading producer of iron ore, lead, nickel, manganese and potash and had a strong position in chromite, copper, gold, diamonds, platinum group metals and zinc. However, in recent years there had been an unplanned fall in metals demand and pollution was causing serious ecological disturbances.

Moreover an increasing proportion of the Soviet mine output was coming from Siberia which had a severe climate and was very remote, creating huge production and transport problems.

It was not possible to estimate the time it might take for the Soviet Union to transform its economy but "probably" problems would not be so severe as after the 1917 revolution which resulted in mineral production coming virtually to a halt in the early 1920s.

Silver tumbles to 13-year low

By David Blackwell

SILVER TUMBLED to the lowest level in nominal terms for 13 years on the London bullion market yesterday, closing at 454 cents a troy ounce, a fall of 14 cents.

At midday yesterday the nearby October silver futures contract on New York's Commodity Exchange (Comex) was only just holding above 450 cents an ounce.

Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Brothers, said the political tension of the Gulf crisis, which was buoying gold, was putting pressure on both silver and platinum, which were increasingly seen as industrial metals.

Mr Andy Smith, precious metals analyst with UBS Phillips & Drew, said the Gulf shock was recessionary, not inflationary, guaranteeing that silver would underperform gold.

Gold held above $390 a troy ounce yesterday. The gold/silver price ratio has now widened to more than 83:1, compared with 35:1 in 1977 and 30:1 in 1972.

Rumours of Middle Eastern selling in the silver market yesterday were enough to push prices down sharply. Ms O'Connell said silver had now fallen by 13 per cent since the beginning of August, when Iraq invaded Kuwait.

Silver is in abundant supply. Stocks on Comex are 8,076 tonnes; this is equivalent to about half of Western annual offtake and a rise on the year so far of 580 tonnes – equivalent to production from Chile, the world's fifth biggest producer.

Ms O'Connell estimates that since 1982 silver supplies have been 21,000 tonnes above industrial offtake, which is around 18,000 tonnes a year.

Around 80 per cent of silver is mined as a by-product of lead, zinc, copper and gold, so the cost of production is virtually nil.

Ms O'Connell believes there will be some support at 450 cents a fine ounce. Mr Smith believes the market could go lower; a floor will probably be found when all the evidence suggests that the US is in recession.

Falklands fish talks 'advancing'

By John Barham in Buenos Aires

MR TRISTAN Garel-Jones, foreign office junior minister, said yesterday that talks between Argentina and Britain over control of fish stocks in the south Atlantic were advancing well.

After ending an official visit to Argentina yesterday he said: "We expect to reach agreement because we both have a common interest in the last unregulated fishing zone left in the world." Argentine officials agreed with Britain on the need to replace existing voluntary agreements with other countries fishing in the region with a "properly-regulated regime" involving Britain and Argentina, he added.

Britain and Argentina re-established diplomatic relations in July, eight years after fighting over the Falkland Islands in 1982. Negotiations over fishing in the south Atlantic have important diplomatic ramifications since they imply recognition by Argentina of Britain's control of the Falklands.

Officials from both sides held technical talks on conservation of stocks in the waters surrounding the Falkland Islands during Mr Garel-Jones's visit. Further technical talks are planned for next month. In September, British and Argentine officials met for two days in Rio de Janeiro to discuss fishing controls.

Foremost on the agenda are controls on catching the South Atlantic's abundant stocks of Illex squid, a highly prized delicacy in Asian markets. Mr Garel-Jones said a new regime could be in place by February, when the season resumes for catching Illex. He said the regime would replace "unsatisfactory" bilateral voluntary agreements that Britain has established with countries fishing in the Falklands' waters.

However, the minister refused to be drawn on the details of a future accord, such as the possibility of joint enforcement by British and Argentine coast guards.

Canada caught in grain war cross-fire

Barbara Durr on the struggle to stay near the top of the world export league

MR RICHARD Klassen is an angry and determined man. One of five commissioners of the Canadian Wheat Board, Mr Klassen says that the US-European trade war on grains "is squeezing the hell out of us. But we will not be pushed out of the marketplace."

The board, based in Winnipeg, is the monopoly producer-owned marketing organisation for Canadian wheat. It recommends a wheat floor price based on its market analysis each year. The government usually approves the recommendation, which runs some 20 per cent below actual prices. The floor price can be moved upward, but never downward.

If the world price drops below the floor price a deficit payment from the government is made to the board and distributed to farmers on a pro rata basis. But, says Mr Klassen, since 1950 deficit payments have amounted to less than half of 1 per cent of gross sales, and most of that sum has come since 1985 because of the trade war. But this year, with bumper crops around the world depressing prices, the outlook is worse.

After the worst drought in Canadian history two years ago, prairie wheat farmers will haul in their second largest harvest ever, 28m-29m tonnes.

NETFARM INCOME (million C$)

	1990	1989	1988	5-year average
Manitoba	241.2	295.3	364.1	361.9
Saskatchewan	246.7	760.5	1,022.5	783
Alberta	545.8	782.6	906	591.5
Total Praries	1,033.7	1,838.4	2,292.6	1,736.4

Source: Statistics Canada

But that is giving them little to cheer about. They will receive an estimated 25 per cent less for their 1990 crop than they did for a crop of almost the same size and quality in 1981.

International buyers have been hanging back to see how low the price will fall before they purchase. And Canada was especially hard hit by the embargo on sales to Iraq, a big customer.

The entry of the Soviets into the world market last week and their reported purchase of 4m tonnes of Canadian wheat will help, but farmers in Canada's three vast western provinces known as the prairies, are still looking at losses.

This year net farm income for the prairies is expected to drop by more than C$800m (£350m) – down 44 per cent from last year and 40 per cent from the previous five year average, according to calculations by Prairie Pools, the policy and lobby organisation of Canada's three western farmer co-operatives, the Alberta Wheat Pools, the Saskatchewan Wheat Pool and the Manitoba Pool Elevators. "Our farmers are suffering," says Mr Klassen.

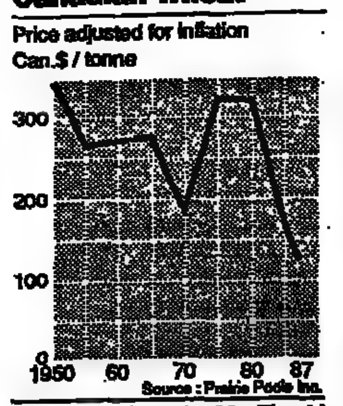
Saskatchewan, the least diversified of the three prairie provinces, will be hit the hardest. It produces about half of the west's grains, but net farm income there is expected to fall 68 per cent. The province, which has been steadily losing population, has seen property prices fall a disastrous 60 per cent in the last eight years, said Mr Garf Stevenson, president of the Saskatchewan Wheat Pool. Now he thinks more people will try to sell, depressing prices further.

Given that farmers have traditionally used the sale of their farms as pensions, the collapse of land prices in Saskatchewan is becoming a major social concern, according to Mr Harold Bjarnason, an associate deputy minister of agriculture.

Canadian Wheat

Price adjusted for inflation

Can.$ / tonne



Source : Prairie Pools Inc.

Prairie Pools charges that western Canada's grain farmers, who produce some of the world's best wheat with great efficiency, are being victimised by the US-EEC trade dispute, which has pushed up often inefficient production by American and European farmers taking advantage of fat subsidies.

It estimates that the deficiency payment this year could run to C$1.1bn. This comes at a difficult time for Canada, where a massive budget deficit is squeezing spending and whose economy has already entered a recession.

The government has reluctantly footed the bill for deficiency payments in recent years in order to maintain the viability of Canada's grain farmers, agriculture ministry officials say. They are also unwilling to tolerate any further slippage in market share for Canada. The country has already been bumped by Europe from number two to number three in the grain exporting league after the US.

Canada does not have the kind of treasury that permits it to join the subsidy war, however. Thus, with a small domestic market of just 26m people, Canada must export even if it hurts. Generally, it ships abroad some 90 per cent of its durum wheat and 80 per cent of the its red wheat, for example.

Canada is hoping that this month's final negotiations of the Uruguay Round of the General Agreement on Tariffs and Trade will at last yield an agreement on agricultural policies and end the US-EC dispute.

Mr Klassen for one believes that, left to market forces alone, Canada's prairie farmers will be tough competition for their subsidy-coddled brethren in the US or Europe. "We have a premium product. We have to be competitive and we will be," he pledges.

EC sale deals blow to Uruguay's beef exporters

Producers fear they have been priced out of the Brazilian market, says **Leslie Crawford**

BRAZIL'S DECISION to buy 80,000 tonnes of surplus beef from the European Community has dealt a cruel blow to Uruguay's beef exporters.

The price Brazil has reportedly paid, $1,200 a tonne, is 38 per cent cheaper than Uruguayan beef, and local producers now fear they have been priced out of the Brazilian market. They were relying on exporting a third of their total produce, about 50,000 tonnes, to Brazil this year, but they no longer know whether the orders will materialise.

"We cannot possibly compete with these kind of subsidies," Congressman Wilson Sanabria, said recently in Montevideo. "It is crazy that the EC should be able to sell beef cheaper than us when Brazil is on our doorstep."

Not surprisingly, Uruguay is one of the strongest advocates of the elimination of all farm subsidies in the current round of talks on the General Agreement on Tariffs and Trade. It is a member of the Cairns Group of agricultural nations that is negotiating on the issue.

The sale of EC surplus beef to Brazil is a classic example of how subsidies distort free trade and harm small countries like Uruguay, which relies on beef and wool account for more than two thirds of its exports.

Brazil has traditionally been Uruguay's biggest customer for beef, but exports fluctuate according to its neighbour's economic fortunes. "When things are going well for the Brazilians, the first thing that rises is the demand for meat," says Mr Enrique Gasparri, the president of Uruguay's Rural Association. "But when their wages fall, so do our exports."

Uruguay's lamb exports, a small but growing sector, have also been hit hard by the UN-sponsored commercial embargo against Iraq. Baghdad normally buys 50-60 per cent of Uruguay's annual production of 25,000 tonnes, and lamb exporters are now urgently seeking alternative customers just as the slaughtering season is due to begin. Mr Gasparri believes the Soviet Union could be a potential customer.

Uruguay's trade difficulties come just as the country was recovering from devastating droughts in 1988 and 1989. The north of the country, which has the richest pastures, was baked dry. Cattle died of thirst and ranchers were forced to slaughter over 1m head, about 10 per cent of Uruguay's entire herd, in order to cut their losses.

The country also suffers from its failure to develop a modern meat processing industry. Only 10 per cent of its exports are sold in canned form. It cannot sell chilled or frozen beef to the US because of the existence of foot and mouth disease in some parts of the country, but Brazilian meat processing plants, which have the technology to kill the virus, resell Uruguayan beef to the US in cooked form.

Uruguayan beef producers want to modernise and expand the country's meat processing plants, but they argue that the dearth of long-term finance and their heavy tax burden are killing opportunities for investment.

They are lobbying the government of President Luis Alberto Lacalle for tax breaks and soft credits, and for a more aggressive export promotion policy abroad.

THE EC may be able to sell subsidised beef to Brazil, but Uruguay's success in selling cheese and butter to Europe amounts to a minor miracle in the face of the community's milk lakes and butter mountains.

It has more than doubled its milk production in the past 15 years to an annual 900m litres. Exports, which did not exist in the 1970s, are expected to earn $50m this year, much of this from European consumers.

The mastermind of this success story is Mr Antonio Mallarino, who heads the national co-operative of milk producers, Conaprole. Over 20 years he has transformed the country's production methods and overcome small farmers' fierce independence to create co-operatives grouping 2,000 farmers.

"Twenty years ago I became convinced that our future lay in the export business," says Mr Mallarino, "but in order to do so we needed to transform our traditional production methods and build up a modern dairy industry."

He hired 20 vets and 20 agronomists for an educational programme that had dramatic results. The next step was to get groups of nine to 15 small producers to club together to share the cost of buying machinery.

Conaprole now has 5,000 members, who account for about 80 per cent of Uruguay's milk production. It provides technical advice, sells pasture seeds and fertilisers, and finances the purchase or lease of tractors, milking machines and cold storage tanks.

To finance the co-operative's investment in new dairy plants and machinery, members lend the equivalent of 3 per cent of their annual milk sales to Conaprole. This is returned to them after three years.

Suppliers credits have also been vital. Conaprole was recently able to import three casein (milk protein) factories and two milk powder plants from France as a result of the long-term finance extended by the manufacturers. What profit it makes is either reinvested in improving its dairy plants or distributed in the form of cash incentives for members who produce better quality milk.

Now Mr Mallarino wants the groups of small producers to join forces in larger regional units to carry out long-term investment projects. "When we achieve this, milk production will double again," he declares.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices steadied after hitting eight-month lows on the LME in the afternoon. A bearish chart trend remains intact but the market is likely to remain vulnerable over the short term to further pressure from technical tightness and options-related business, traders said. At midday Comex copper prices were slightly ahead. Lead on the LME was steadier after Tuesday's sharp fall. Traders said the market was trying to stabilise after the sharp losses of the past two days and was helped by chart support on any dip towards £380 or $750 a tonne. A move below those levels would break the longer-term uptrend and signal fresh selling and liquidation orders. Tin prices closed sharply down on stale bull and consumer liquidation and producer linked selling. Nickel also fell, as commission house liquidation and influential merchant selling developed on a market which some analysts expect to re-test the recent 12-week low of $8,800 a tonne for three-month metal. On the BFE dry freight futures were higher by the close. Sentiment was boosted by continued market talk of Soviet and Far Eastern grain purchasing interest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$36.00-6.15y	-0.05
Brent Blend (dated)	$40.70-0.80	+0.05
Brent Blend (November)	$40.05-0.15	+.175
W.T.I. (1 pm est)	$39.77-9.80	-.565
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$424-428	+2.5
Gas Oil	$344-347	-11.5
Heavy Fuel Oil	$149-153	
Naphtha	$393-397	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$391.25	-4.75
Silver (per troy oz)♣	454c	-14
Platinum (per troy oz)	$442.25	-3.75
Palladium (per troy oz)	$90.75	-1.25
Aluminium (free market)	$2025	
Copper (US Producer)	134¼c	-¾
Lead (US Producer)	60	
Nickel (free market)	436c	-10
Tin (Kuala Lumpur market)	18.00r	-0.34
Tin (New York)	281c	-4
Zinc (US Prime Western)	73c	
Cattle (live weight)†	100.14	+1.80*
Sheep (dead weight)†	135.01p	+12.8*
Pigs (live weight)†	73.86p	-0.51*
London daily sugar (raw)	$258.6w	-6.0
London daily sugar (white)	$308.0w	-5.0
Tate and Lyle export price	£240.0	-3.0
Barley (English feed)	£115	
Maize (US No. 3 yellow)	£158.5	
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	50.75p	+0.25
Rubber (Dec)♥	50.75p	
Rubber (KL RSS No 1 Nov)	238.5m	+0.5
Coconut oil (Philippines)§	Unq.	
Palm Oil (Malaysian)§	$265v	
Copra (Philippines)§	$190t	-2.5
Soyabeans (US)	£145	
Cotton "A" Index	81.60c	-0.05
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct/Nov z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	226.00	225.00	226.00 225.00
Mar	224.80	221.00	225.20 219.00
May	225.00	222.00	226.00 220.00
Dec	226.00		220.00
Mar	226.00		224.00
White	**Close**	**Previous**	**High/Low**
Dec	301.5	298.5	301.0 299.0
Mar	298.5	297.5	298.5 297.0
May	298.5	297.5	299.1 297.7
Aug	306.0		304.0 303.7
Mar	300.0	298.5	300.5 298.4

Turnover: Raw 1014 (1179) lots of 50 tonnes. White 1401 (1021)
Paris- White (FFr per tonne): Dec 1525 Mar 1536, May 1540, Aug 1570, Oct 1540

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Nov	38.50	40.15	40.95 38.45
Dec	36.50	38.00	38.95 36.50
Jan	35.00	36.34	37.20 35.00
Feb	33.60	34.90	35.62 33.60
IPE Index	38.89	37.90	

Turnover: 16818 (17047)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Oct	343.50	357.75	363.00 343.50
Nov	335.00	343.00	349.50 334.50
Dec	326.00	332.50	336.25 325.00
Jan	314.00	320.00	325.00 313.00
Feb	305.50	304.00	305.50 304.00
Mar	289.00	284.00	289.00 288.00
Apr	265.25	270.00	272.00 265.00
May	270.00		270.00 269.00
Jun	268.00		268.00

Turnover 17823 (13056) lots of 100 tonnes

WOOL

British entry into the ERM and the sharp rise in sterling caused some price adjustments in the U.K., but the wool market here never felt confidence in the euphoric extremes. The situation since is more settled with prices for tops lower by a few pence a kilo to reflect recent exchange rates with Australia, New Zealand, South Africa and the U.S. There is continuing concern about Australian measures which include re-assurance about an unchanged floor price yet removal of support on the small quantities of coarser wool.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	674	683	684 666
Mar	712	721	723 709
May	736	743	745 735
Jul	760	764	763 754
Sep	779	786	786 777
Dec	807	813	813 806
Mar	836	840	840 836

Turnover: 4291 (5269) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 9 948.92 (959.71) 10 day average for Oct 10 [illegible] ([illegible])

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Nov	602	601	604 595
Jan	614	614	617 606
Mar	608	607	612 603
May	614	612	615 608
Jul	627	625	625
Sep	640	638	637 635

Turnover: 4330 (3817) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 9: Comp. daily 75.42 (75.47). 15 day average 74.44 (74.45)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	79.0	86.0	83.0 80.0
Apr	150.3	151.0	163.0 149.0
May	169.0	169.0	170.5 168.4

Turnover 459 (384) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Dec	116.00	114.00	

Turnover 0 (15) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Oct	1238	1216	1242 1236
Nov	1285	1265	1295 1275
Jan	1300	1263	1300 1275
Apr	1293	1255	1290
Jul	1100		1110
Oct	1180	1150	1180 1175
BFI	1183	1179	

Turnover 179 (226)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	114.05	114.10	114.00 113.75
Jan	118.00	118.10	118.00
May	125.00		125.00
Sep	110.10		110.10
Barley	**Close**	**Previous**	**High/Low**
Nov	112.20	112.00	112.15 112.10
Jan	116.30	116.20	116.30 116.05
Mar	119.55		119.55 119.40
May	120.65		120.60

Turnover: Wheat 59 (201), Barley 98 (40).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	99.5		98.0

Turnover 5 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 7,492 lots
Cash	2005-10	2032-7	2025/2021	2020-2		
3 months	1855-60	1873-4	1882/1855	1870-2	1855-7	75,642 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,519 lots
Cash	1446-8	1460-4	1447/1445	1447-5		
3 months	1371-2	1390-1	1376/1364	1374-5	1376-7	114,297 lots
Lead (£ per tonne)						Total daily turnover 2,331 lots
Cash	395-7	391-3	390	390-1		
3 months	390-1	390-1	392/388	388-7	388-9	10,959 lots
Nickel ($ per tonne)						Total daily turnover 1,893 lots
Cash	9450-500	9600-50	9450/9425	9400-25		
3 months	9075-100	9225-50	9150/9025	9050-75	9125-50	8,598 lots
Tin ($ per tonne)						Total daily turnover 1,193 lots
Cash	6030-50	6140-60		6010-30		
3 months	6090-100	6190-200	6110/6070	6070-80	6105-10	8,432 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,324 lots
Cash	1359-61	1377-80	1360/1347	1347-8		
3 months	1350-1	1360-5	1362/1330	1335-7	1346-8	19,995 lots

LME Closing £/$ rate:
SPOT: 1.9707 3 months: 1.9446 6 months: 1.9202 9 months: 1.9009

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	391-391½	198¼-198¾
Opening	391¼-391¾	199¼-199¾
Morning fix	392.20	199.522
Afternoon fix	391.80	198.611
Day's high	393¼-395	
Day's low	389½-390	
Coins	**$ price**	**£ equivalent**
Maplelea	400-405	203-206
Britannia	400-405	203-206
US Eagle	400-405	203-206
Angel	400-405	203-206
Krugerrand	390-393	198-200
New Sov.	94-96	47½-48½
Old Sov.	94-96	47½-48½
Noble Plat	447.55-454.65	227.45-231.10
Silver fix	**p/fine oz**	**US cts equiv**
Spot	235.20	462.75
3 months	243.35	472.40
6 months	250.80	481.45
12 months	265.60	500.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1800	182	116	13	58
1900	108	68	39	106
2000	56	36	85	174
Copper (Grade A)	**Calls**		**Puts**	
2600	195	134	10	73
2700	116	66	32	122
2800	62	51	74	186
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
550	62	72		8
600	13	39	11	25
650	1	18	48	54
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
600	80		6	
650	44	92	20	30
700	21	64	47	52
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
3550				
3600		420		420
3650				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	388.1	389.7	392.0	388.5
Nov	390.0	391.7	0	0
Dec	392.2	394.0	397.2	390.1
Feb	396.4	398.2	401.0	394.0
Apr	400.4	402.2	402.2	399.0
Jun	404.7	406.5	408.7	403.1
Aug	408.7	410.6	411.8	409.5
Oct	412.9	414.7	416.0	416.0
Dec	417.3	419.0	415.0	414.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	432.1	[illegible]	439.0	430.0
Jan	437.1	445.2	445.5	[illegible]
Apr	442.5	450.8	451.5	438.0
Jul	447.5	456.1	0	0
Oct	452.9	461.5	453.0	453.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	440.9	459.3	450.5	438.0
Nov	442.3	461.1	0	0
Dec	446.2	465.0	467.0	445.0
Jan	448.2	467.1	0	0
Mar	455.8	474.9	477.5	455.0
May	462.2	481.5	482.0	466.0
Jul	468.8	488.3	489.0	467.0
Sep	475.8	495.5	496.0	474.0
Dec	485.6	505.6	505.0	489.5
Jan	488.7	508.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 10	Oct 9	mnth ago	yr ago
1742.6	1750.4	1824.0	1888.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 9	Oct 8	mnth ago	yr ago
Spot	128.91	129.40	129.67	128.41
Futures	130.80	131.57	133.39	129.15

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	130.00	128.00	130.00	129.00
Nov	125.35	123.35	125.40	124.00
Dec	119.35	118.10	119.75	118.00
Jan	116.50	115.20	116.50	115.70
Mar	112.25	110.90	112.50	111.00
Apr	110.85	109.45	0	0
May	109.55	107.90	109.90	108.80
Jun	108.45	106.80	0	0
Jul	107.35	105.70	107.80	107.10
Aug	106.05	104.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	38.85	40.40	41.15	38.60
Dec	37.55	38.77	39.90	37.30
Feb	34.50	35.95	36.80	34.50
Mar	33.20	34.63	35.40	33.20
May	31.60	32.01	32.70	31.60
Jul	29.75	29.99	30.40	29.50
Aug	28.75	29.18	29.60	28.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	10145	10615	780	100
Dec	10282	10682	850	282
Jan	10107	10507	725	107
Feb	9620	9957	160	9610
Mar	9110	9427	9575	9110
Apr	8740	8937	9050	8740
May	8420	8582	8600	8200
Aug	8400	8337	8425	8400

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1202	1214	1220	1200
Mar	1266	1268	1270	1250
May	1290	1297	1302	1290
Jul	1327	1337	0	0
Sep	1354	1364	1354	1354
Dec	1385	1395	1403	1393
Mar	1410	1420	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	91.25	93.45	93.40	91.00
Mar	95.00	96.80	96.60	94.90
May	97.40	99.00	98.50	97.30
Jul	99.65	100.80	0	0
Sep	101.00	102.80	102.00	101.00
Dec	104.00	106.00	104.00	104.00
Mar	106.75	108.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.99	9.95	10.07	9.78
May	10.02	9.92	10.06	9.82
Jul	10.02	9.90	10.08	9.84
Oct	10.06	9.92	10.06	9.85
Mar	10.12	9.95	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.21	73.45	73.69	73.12
Mar	73.83	74.18	74.20	73.72
May	74.00	74.58	74.51	74.00
Jul	74.15	74.75	74.60	74.16
Oct	69.25	69.45	69.20	69.20
Dec	67.85	67.95	67.90	67.65
Mar	69.25	69.12	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	132.45	132.20	133.50	128.25
Jan	132.00	131.25	132.90	129.50
Mar	132.75	133.00	133.50	131.00
May	132.75	132.50	133.75	132.00
Jul	132.75	132.50	132.00	132.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	625/0	634/2	635/0	619/4
Jan	639/6	648/2	649/0	633/4
Mar	651/4	660/6	660/4	646/4
May	661/2	670/6	670/4	656/0
Jul	668/6	678/2	676/4	665/0
Aug	662/0	671/0	667/0	662/0
Sep	630/0	637/0	636/0	630/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.14	22.50	22.54	22.02
Dec	22.38	22.80	22.88	22.32
Jan	22.66	23.10	23.12	22.57
Mar	23.05	23.50	23.56	23.01
May	23.40	23.85	23.85	23.35
Jul	23.60	24.06	24.00	23.60
Aug	23.60	23.98	24.00	23.60
Sep	23.45	23.73	23.75	23.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	187.8	191.0	191.0	185.5
Dec	191.8	194.3	194.0	189.0
Jan	192.8	195.6	195.0	191.0
Mar	195.1	197.0	196.2	193.1
May	195.4	196.8	196.0	193.2
Jul	196.6	196.9	196.0	194.0
Aug	193.0	194.6	194.0	192.5
Sep	187.5	188.0	187.5	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	235/4	234/2	236/4	232/0
Mar	244/6	243/2	245/4	240/6
May	250/0	249/0	250/4	246/6
Jul	253/6	253/2	254/4	250/2
Sep	250/6	249/4	251/4	248/2
Dec	253/4	252/4	254/4	250/4
Mar	259/0	258/4	259/0	256/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	276/2	279/4	278/4	274/2
Mar	290/2	293/2	293/0	289/0
May	296/4	299/4	298/4	295/0
Jul	300/0	303/4	303/0	299/0
Sep	304/0	307/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	79.20	79.57	79.47	78.90
Dec	75.87	76.75	76.65	75.75
Feb	74.07	74.75	74.60	[illegible]
Apr	75.07	75.57	75.42	74.92
Jun	72.70	73.20	73.00	72.55
Aug	71.12	71.50	71.50	71.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	56.57	56.72	57.15	56.45
Dec	54.27	54.67	54.75	54.10
Feb	51.32	51.77	51.95	51.15
Apr	47.97	48.22	48.40	47.85
Jun	51.75	52.25	52.30	51.70
Jul	52.15	52.35	52.25	52.12
Aug	50.40	50.70	50.85	50.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.40	64.45	65.00	62.60
Mar	63.07	64.17	64.75	62.45
May	63.15	63.82	64.60	62.10
Jul	62.00	62.30	63.65	61.35
Aug	61.80	61.60	62.00	61.80

LONDON STOCK EXCHANGE

Gulf worries dominate share prices

THE INCREASING tension in the Gulf, reflected once again in higher prices for crude oil, continued to cast a cloud over the UK stock market yesterday.

However, with traders also responding to more reductions in UK mortgage rates and to an initially easier trend in the sterling/D-Mark quotation, markets moved irregularly in the early part of the session. Trading volume declined sharply from the near-record levels which followed the ERM announcement last Friday, and share prices were prey both to profit-taking and inter-market-maker trading.

Equities opened sharply lower following Wall Street's overnight setback and growing concern regarding Iraq's threat to strike at Israel in retaliation for the deaths of Arab demonstrators in Jerusalem. However, in the absence of further institutional selling, a recovery was made in early trading.

The calm vanished at mid-morning when prices fell heavily on reports, soon proved to be groundless, that US military forces had actually invaded Kuwait. Brent crude oil for November delivery moved above $41 a barrel and the stock market was soon down by 28 points on the FT-SE scale.

London feared the worst ahead of Wall Street's opening, but the New York market rallied from early weakness and climbed to a gain of 14 Dow points in UK trading time. This gave some encouragement to London and, helped also by a late upswing in the index future contract, the FT-SE Index rallied to a close of 2,121.8 for a loss of 12.8 on the day.

Seaq volume was well down at 427.4m shares compared with 823.8m in the previous session. More detailed data from the International Stock Exchange has disclosed that customer investment activity on Friday, when the ERM and base rate news was announced, jumped to £911m, and then on Monday to £2.03bn. Traders are convinced that the institutions, both domestic and non-UK, were sellers as well as buyers over the two sessions.

Oil shares were firmer yesterday, but there was heavy profit-taking among the banks, which are also seen as vulnerable to bad debts as recessionary pressures continue to bear down on corporate customers; yesterday saw Corton Beach, a small leisure company, obliged to call in the receivers.

Blue chip international stocks edged higher as the pound eased in early deals and managed to sustain their recovery when the sterling/D-Mark rate moved above DM3.01 in late trading. While in the view of many strategists UK equities offer good long term value following the developments of the past few days, the danger of war in the Gulf at present overshadows all other factors in assessing the near-term outlook.

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

Midland under pressure

EXPOSURE TO property-related debt and the absence of any immediate benefit from lower base rates weighed heavily on Midland Bank. A total of 3.9m shares changed hands as investors reacted to recent reports suggesting that Hongkong and Shanghai Banking – strongly fancied to make a bid for Midland, and already owning 14.9 per cent of the UK clearer – was itself concerned with worries about falling profits and the underperformance of its US subsidiary.

However, one analyst felt relatively satisfied with Midland's property loan exposure, pointing out that half the estimated £1.9bn involved was tied up in large property companies, and the rest was with smaller concerns with interests outside London, and thus less hard hit by the recent slump in property demand. Even so, Midland finished 10 lower at 200p, having been as much as 14 down earlier in the day.

Reuters rallies

Henderson Crosthwaite, the UK broking house, endorsed Reuters with a buy recommendation and the stock bucked the market, moving up 22 to 704p on a turnover of 2.4m after its recent heavy setback.

Mr Brian Newman of Henderson said Reuters had lost subscribers in the first half of this year but that customer fallout now appeared to have slowed down and prospects for long-term growth were intact, especially with regard to the company's two new automatic dealing systems. He was maintaining his 1990 and 1991 forecasts of £325m and £380m.

Rank active

Rank Organisation found the going less sticky than most Alpha issues. The stock attracted considerable investment support and was one of few to end in plus territory. The shares closed 11 up at 629p after having changed hands as high as 635p. Trading volume was above normal at 2.1m.

Smith New Court, the investment house, was the heaviest buyer of the stock, having turned more positive on prospects some time ago. Britain's entry into the ERM has reinforced this confidence, said Mr Peter Joseph of Smith. In spite of uncapped debt, largely through the Mecca acquisition, Rank has good management *and is a major beneficiary of* falling interest rates, he added.

SmithKline Beecham picked up 15 to 557p on a healthy 6.6m turnover following reports that the Academy of American Pediatrics had approved the use of its Hepatitis B vaccines for children and infants.

Hanson shed 5 to 190¾p amid volume of 6.9m on worries that it may be forced to reduce its 49 per cent stake in Newmont Mining. SCM Chemicals, a Hanson subsidiary, announced that production at its titanium dioxide plant would be reduced in January by 20 per cent to 95,000 tonnes a year.

Bank shares were again out of favour in spite of the recent cut in base rates. The latter was regarded as a good opportunity to raise profits by allowing deposit rates to fall faster than borrowing rates. However, analysts pointed out that this is likely to be a longer term benefit.

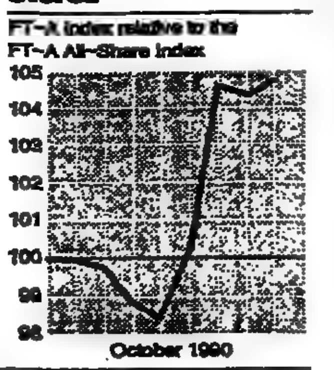
In the short term, a number of factors are working against the banks, and they are particularly relevant to overseas participants. Investors are keen to take profits in a sector which has outperformed the general trend, and returns are further enhanced by the strength of sterling, which works in the favour of investors converting profits into foreign currency. In addition, many US institutions are worried about the state of the US banking sector, and they reason that any sustained delay in reducing US rates will further hurt US and, ultimately, UK banks.

Midland apart, NatWest dropped 14 to 262p with 12m shares traded. Dealers noted that the bank has broken off negotiations with Crédit Commerciale de France over the purchase of CCF's subsidiary, L'Europeene de Banque, having failed to agree terms. Barclays weakened 14 to 361p on turnover of 9.6m shares.

Stores, one of the most sensitive areas to changes in interest rates, continued to underperform the rest of the market during the first few days of the month as consumer confidence ebbed and costs escalated. Friday's one-point cut in interest rates allowed the sector to rebound, however, and prospects of a further cut in rates before Christmas will allow additional gains, many analysts believe. But some fear over-capacity, increased wages and high rents could prevent the sector moving significantly ahead.

Stores

FT-A index relative to the FT-A All-Share index



October 1990

Life and composite insurers were also lower in reaction to the sector's recent strong performance. Royal Insurance was further depressed by a sell recommendation by Kleinwort Benson and lost 6 to 382p.

Comment by County NatWest that Scottish & Newcastle looked the brewer most vulnerable to profit-taking, arriving soon after BZW's sell advice on Tuesday, impacted sharply. Although business was extremely small, the stock dropped to 340p before rallying to close 10 lower on balance at 343p.

Stock shortages protected shares such as Bass and Guinness, but Allied-Lyons shivered as the residue of Tuesday's selling order was completed and closed 8 down at 459p.

Building issues were generally weaker as investors continued to view the sector's rise following ERM entry and lower base rates as being overdone. Longer term, however, the prospect of a revival in housebuilding, encouraged by cheaper money trends, saw County NatWest highlight Beazer (85p, down 2), Berkeley Group (228p, off 3), Wilson Bowden (312p, down 1) and Colroy (111p, up 1) as those best placed to benefit. The larger concerns recommended included Tarmac, down 5 at 242p, and Wimpey, 2 easier at 205p.

Walter Lawrence finished unchanged at 41p in spite of a fall in half-year profits to £3.5m from £5.11m. The interim dividend payment was left unchanged at 2p.

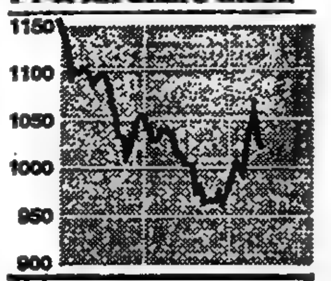
GEC suffered a setback of 3 to 185p after Hoare Govett cut its 1990 profits estimate to £880m from £990m and that for next year to £970m from £990m. Hoare argued that GEC's international business would be hit by the strong pound and that investors would start moving away from defensive.

Lower half-yearly profits of £43.7m from £76.6m prompted Amstrad to slip back 3 to 60p on turnover of 7.1m. Chairman Mr Alan Sugar said he was confident about the company's performance but acknowledged the affect of the world economic climate. Hoare Govett reduced its profits estimate for the year ending June 1991 from £68m to £63m but remained bullish about the company's performance, particularly in the satellite area, and said there was "considerable scope for upgrading in the future".

Cable and Wireless closed 10 down at 410p, reflecting concern over the government's forthcoming duopoly review into Cable's telecommunications sector. British Telecom was also affected by duopoly nervousness and finished 4½ easier at 279½p.

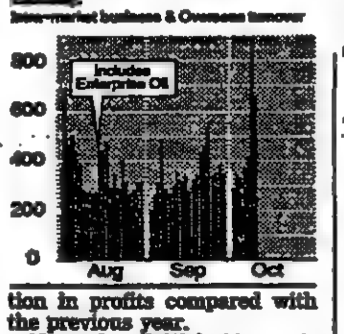
First Technology fell sharply, closing 170 down at 110p, on the back of Tuesday's late warning that it was likely to show a substantial reduction in profits compared with the previous year.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



News that British Airways's passenger traffic growth was up by more than 9 per cent in September was offset by rising oil prices and a gloomy statement from Air Canada. The Canadian carrier said it would "break even or worse" in 1990 and would post a loss next year. The shares dipped 3 to 138p.

Davies & Newman, owners of the Dan Air airline, rebounded 67 to 140p after reports that Mercury Asset Management had traded a large stake in the company. BZW said 50,000 shares were crossed, making up the bulk of the 117,000 trading volume – a busy turnover in the stock – but would not comment on whether MAM was responsible.

Worries about the forthcoming rights issue, and investors seeing the recent refinancing deal as an opportunity to sell, were behind a fall of 22 to 428p in Eurotunnel.

Hoare Govett reduced its profit forecasts for Hawker Siddeley, which shed 8 to 396p. Hoare said it was changing its 1990 estimate from £157m to £145m and for 1991 from £185m to £170m, primarily because 55 per cent of Hawker's business was done in dollar-denominated territory.

Concern that Lucas Industries might not meet market expectations when reporting annual results later this month lowered the shares 4 further to 112p. Analysts are looking for profits of between £190m to £195m. Distributors lost some of their interest rate shine, Quicks falling 8 to 65p.

Cadbury Schweppes eased 3 to 309p on selling related to the placing of General Cinema's 102m-share stake in the previous session. There were also suggestions that a line of 1m shares had been offered at 309p in the market. Unilever gained 3 at 643p on sterling's initially weaker tone and also on hopes of better-than-expected third-quarter results, due at the begining of next month. Argyll eased 4½ to 243p as some analysts commented that it had outperformed the market recently.

Burton added 1½ at 65½p on brisk turnover of 5.9m as a number of investors believed it had been oversold and on talk that it would soon conclude the sale of its property interests. County NatWest said Burton was a short-term buy. "Even assuming property is worth nought and this year's final dividend is halved, Burton is cheap," it added.

Austin Reed receded 6 to 144p after announcing interim profits had fallen to £905,000 from £2.06m last time.

The property sector bounced back after Tuesday's poor performance, but investors were adopting a wait-and-see attitude in the absence of any fresh developments. Of the few features, Hammerson Ordinary rose 28 to 583p following a 1.1m-share transaction, representing just under 3 per cent of the voting capital. The 'A' shares moved up 23 to 553p.

Oil shares continued to press ahead as the oil price firmed. BP gained 1½ to 359p in a busy market as arbitrageurs switched between the plc and American Depository Receipts. Lasmo added 9 at 460p as Kleinwort Benson reiterated its buying stance.

In the water sector, Southern Water rose 6 to 200p on a Kleinwort Benson recommendation. Kleinwort noted that Southern had been trading at a 14 per cent discount to the Water Package. Mr Peter Hyde of Kleinwort also raised his current full year forecast to £99m from £92m.

The request by Corton Beach for a receiver to be appointed led to the shares, down 6 on Tuesday, being suspended at 12p. This step was taken because its bankers were unable to accept refinancing proposals, said the company.

USM-quoted Chieftain Group dropped 83 to 75p on the warning that results for the year would not exceed 80 per cent of the level achieved last year.

Ravaged by the interim loss and forecast of an equally difficult second half, Trans World Communications found no comfort in news that The Guardian and Manchester Evening News had increased its stake to 20 per cent from 18 per cent. Trans World shares ended 10 down at 96p.

The call on shareholders for nearly £5.6m overshadowed good annual results from William Sinclair, and the shares of the gardening products company declined 7 to 215p.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (8).
BUILDINGS (1) STORES (1) INDUSTRIALS (1) Silentnight, TRUSTS (5).
NEW LOWS (264).
AMERICANS (19) CANADIANS (8) BANKS (8) BREWERS (2) BUILDINGS (5) CHEMICALS (6) STORES (9) ELECTRICALS (13) ENGINEERING (9) FOODS (6) HOTELS (6) INDUSTRIALS (36) AGT, Abbeycrest, Amares, Avon Rubber, BBA 8.7pc Red. Pref., BSS, Brierley Invs., Cathay Pacific, Campbell & Armstrong, Chieftain, Computer People, Corton Beach, Dover Corp, Elders IXL, Elliott, Ensor, Fletcher Challenge, Forwell, Hanson warrants, Johnson Cleaners, Kenshaw (A.), Kleen-E-Ze, Lynx, McLeod Russel, Office & Electronic, PFG Hodgson Kenyon, Pacific Dunlop, Rock, Security Archives, Sketchley, Store 8 Free, Swire Pacific A, Toothill (R.W.), Wartalla, Waterford Wedgwood, INSURANCE (10) LEISURE (3) MOTORS (2) NEWSPAPERS (1) PAPERS (1) PROPERTY (6) TRANSPORT (8) TRUSTS (65) OILS (2) MINES (19) THIRD MARKET (5).

FINANCIAL TIMES STOCK INDICES

	Oct 10	Oct 9	Oct 8	Oct 5	Oct 4	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.98	80.22	80.74	78.96	78.70	83.83	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.97	89.14	88.50	88.80	88.53	94.23	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1625.7	1640.5	1700.7	1656.6	1601.3	1797.3	1969.5 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	175.9	178.2	179.3	184.6	186.9	208.2	378.5 (8/2)	167.9 (15/8)	734.7 (15/2/83)	43.6 (26/10/71)
FT-SE 100 Share	2121.8	2134.1	2201.6	2143.9	2070.4	2218.8	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.85	5.82	5.60	5.76	5.94	4.54				
Earning Yld %(full)	12.27	12.20	11.73	12.09	12.44	10.93				
P/E Ratio(Net)(*)	9.88	9.93	10.33	10.05	9.74	11.03				
SEAQ Bargns 4.45pm	22,507	30,405	54,547	19,738	17,281	30,419				
Equity Turnover(£m)†	-	1746.00	2808.35	911.04	791.10	876.27				
Equity Bargains†	-	31,905	49,912	19,073	17,849	36,310				
Shares Traded (ml)†	-	859.6	861.0	405.0	367.9	444.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ø Nil 9.73

Ordinary Share Index, Hourly changes   Day's High 1636.2   Day's Low 1612.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1616.6	1629.2	1632.6	1623.6	1617.6	1614.2	1613.2	1614.6	1621.7

FT-SE, Hourly changes   Day's High 2136.9   Day's Low 2104.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2110.6	2125.0	2131.3	2129.8	2113.3	2107.6	2106.0	2107.9	2118.3

GILT EDGED ACTIVITY

Indices*	Oct 9	Oct 8
Gilt Edged Bargains	114.4	182.4
5 – Day average	110.2	106.1

*SE Activity 1974
†Excluding intra-market business & Overseas turnover

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm

APPOINTMENTS

Woolwich Life chairman

■ Mr John ffforde has been appointed chairman and Mr Jamie Woods becomes managing director of WOOLWICH LIFE ASSURANCE CO. This newly-formed company is a joint venture between the Woolwich Building Society and the Sun Alliance Group.

■ Manfred Graf von Roon has been appointed managing director of AEG (UK), Wokingham, and chairman of AEG Modicon. He headed AEG in South Africa. Mr Martin Phillips joins AEG (UK) as systems sales director. He was sales director of KDG Mobrey.

■ Mr Doug Wilson has been appointed financial controller of DIRECT ENTERTAINMENT. He was financial controller of the Really Useful Group.

■ NORCROS door and window subsidiary, Crosby Sarek, Swindon, has appointed Mr Kevin Cubbage as managing director; Mr Roy Wakeman as deputy managing director, sales and marketing; Mr Peter Johnson as operations director; and Mr John Smith as finance director.

■ IMAGE DATA SYSTEMS, Beverley, has appointed Mr Neil Smallwood as business dvelopment director. He was financial director, Ken Stokes Group, a Rockware subsidiary.

■ Mr Mark Hardy has been appointed finance director of Strachan and Henshaw, newly-acquired WEIR GROUP subsidiary. He was project financial controller.

■ APPLIED HOLOGRAPHICS has appointed a non-executive director, Mr David Mahony, as chairman. He is an industrial adviser to Hambros Bank, and non-executive chairman of Harland Simon Group. Dr David Tidmarsh, managing director, has been promoted to chief executive. Mr Ossie Boxall, previously chairman and chief executive, has retired.

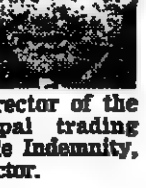
■ Mr Alan Brown has been appointed director and company secretary of LLANELLI RADIATORS. He will continue as company secretary of Calsonic International (Europe) and Calsonic Exhaust Systems, and to head the Llanrad division.

■ Mr Paul Alexander has been appointed managing director of THE CONSUMER LOANS COMPANY, a subsidiary of National Home Loans Holdings.

■ SPEYHAWK has appointed Mr Jonathan Strong to the board. He is managing director of Speyhawk Investments, and joint managing director of Speyhawk Business Parks.

■ HOGG INSURANCE BROKERS has appointed Mr Michael F. Radford as executive director, and Mr Martyn Lassman as assistant director, in the marine division.

■ TRADE INDEMNITY GROUP has appointed Mr Richard Duggan *(pictured)* as group chief executive from January 1 1991. He will take over from Mr John Phillips who retires and becomes a non-executive deputy chairman.



Mr Duggan is managing director of the group's principal trading subsidiary, Trade Indemnity, and a group director.

■ DALGETY is to appoint Mr E. Hugh R. Thomas as executive director-food. He will be joining the company later this year. Mr Thomas is senior vice president, Petcare, with Nestle.

■ AGB TELEVISION has appointed Mr Robert Nowak as commercial director. He was media planning director, Allen Brady and Marsh.

■ BRADSTOCK GROUP has acquired Warren & Warren which becomes a division of Bradstock Blunt (NI). Mr Cyril D. Warren is made a director of Bradstock Blunt (NI), and Mr Samuel Whiteside an associate director.

■ EUROSERVE COMPUTING has appointed Mr John Neal as managing director. He was chief executive, Surbus Europe, part of the Bell Atlantic group.

■ Mr Graeme D.W. Odgers, chief executive of Alfred McAlpine, has been appointed a non-executive director of NATIONAL & PROVINCIAL BUILDING SOCIETY.

■ LOMA GROUP, Farnborough, Hampshire, has appointed Mr Peter G.P. Hodgson as non-executive chairman. He is chairman of Richards Group.

■ Mr Stephen Hartigan *(pictured)* is to become group general manager of TRINITY INSURANCE CO, main vehicle in the London market of UK-based GFA International. He will assume responsibility for all day-to-day operations of the Trinity Group,

including Trinity Re of which he is managing director. He succeeds Mr David Brothwood who has been appointed managing director designate of London & Edinburgh Insurance Co, Worthing.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9½	+½	Q28%	2.1	9.2	5.1
303	167	ANZ $A1	167	–2	44c	1.4	11.3	6.3
233	172	Abbey National 10p	229	+1	5.7	4.3	3.3	9.3
*274	130	Allied Irish Ord.	138	–9	Q40%	3.3	6.9	5.9
88	47	Anglo Irish	48	–2	tQ18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	64	.....	2.5	1.3	5.2	18.4
£71½	£32½	Bancaire Cie Fr100	£36½	–½	hQ24%	–	3.6	–
£22½	£14½	Banco Bilbao Viz.	£14½	–½	Q49.1%	2.7	5.4	10.2
286	136	Bank Ireland IrE1	136	–13	Q14.7%	2.9	9.5	4.8
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	109½	–2½	†4.55	3.4	5.5	7.0
100½	83½	Do. 9¼pc Irrd Pf.	99½	.....	9¼%	–	12.4	–
54	39	Bank of Wales	42	.....	2.6	0.8	8.9	(30.2)
428	290	Barclays £1	363	–14	th19.57	3.5	7.2	5.0
22	11	Benchmark 20p	12	.....	0.75	–	8.3	–
335	238	Brown Shipley £1	245	.....	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	325	–2	N24.5	–	10.1	–
179	49	Chancery	52	.....	9.0	2.7	23.1	2.1
£23¼	£15½	Commerzbk DM10	£15½	–½	Q18%	–	4.0	–
£13¼	620	Dai Ichi KBk Y50	650	–5	Q17%	6.2	0.5	33.4
*£313	£194½	Deutsche Bk DM50	£198½	–3½	Q28%	–	2.4	–
£20½	£14½	Espirito Santo	£14½	+½	Q75c	5.1	2.6	7.6
253	166	First Nat. Fin. 10p	197	–1	13.0	2.1	8.8	6.8
121	82	FNFC 6.3pc Cv. Pf.	98	.....	6.3%	–	8.6	–
£13½	633	Fuji Bank Y50	701	+7	Q17%	♦	0.5	♦
325	262	Gerrard & National	302	–13	19.0	–	8.4	–
154	100	Guinness Mahon 10p	108	.....	2.1	–	2.8	–
328	194	Hambros 20p	228	+6	11.5	–	6.7	–
128	88	Do. 7.5pc Cv Pf.	93	+1	7½%	–	10.8	–
53½	32	HK & Shang. HK$2.50	32	.....	tQ38c	–	8.0	–

BUILDING, TIMBER, ROADS – Contd

ELECTRICALS – Contd

ENGINEERING – Contd

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

CHEMICALS, PLASTICS

FOOD, GROCERIES, ETC

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

DRAPERY AND STORES

HOTELS AND CATERERS

INSURANCES

BUILDING, TIMBER, ROADS

INDUSTRIALS (Miscel.)

LEISURE

ENGINEERING

ELECTRICALS

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

For Vircaya Hldgs see MINES Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ▮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ¤ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	700	....
Finlay Pkg. 5p.... γ	43xd	....
Holt (Jos) 25p.... γ	1305xd	....

IRISH

Cap. 8½% Ln. 1991	£98¼	....
9pc Cap Ln. 1996..	£93½	-⅛
Fin. 13% 97/02	£116	....
Arnotts	188	....
Carrol (P.J.) ....α	152	....
Hall (R. & H.)	165	....
Heiton Hldgs.... γ	58	....
IRG	155	+5
United Drug....	136	....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit Telecom	22
Cadbury's	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	35
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	23
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect.	14
RHM	25
Rank Org Ord	49
Reed Intnl	38
STC	19½
Sears	6½
SmKl Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	58
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petm	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res	4
Ultramar	31

Mines	
Lonrho	21
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

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Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Closed to new business

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 140, Norwich NR3 1PP 0603 686787				
NUAM Funds				
Managed Fund	60.8	64.0	-0.8	-
Stock Market Mngd Fund	56.9	59.9	-1.0	-
Equity Fund	66.0	69.4	-1.2	-
International Fund	48.9	51.5	-0.7	-
European Fund	59.2	62.4	-0.8	-
North American Fund	46.6	49.1	-0.9	-
Pacific Fund	49.9	52.5	-0.4	-
Property Fund	87.3	91.9	.....	-
Fixed Interest Fund	52.2	55.0	-0.3	-
Index Linked Sec Fund	58.2	61.3	-0.1	-
Deposit Fund	65.5	69.0	.....	-
NUAM Retirement Plans				
Mixed Fund	65.8	69.3	-0.9	-
UK Ordinary Share Fd	75.5	79.5	-1.4	-
International Fund	53.3	56.1	-0.3	-
Property Fund	84.3	88.8	.....	-
Fixed Interest Fund	62.2	65.5	-0.4	-
Index Linked Sec Fund	61.5	64.7	-0.2	-
Deposit Fund	75.8	79.8	.....	-
NUAM (DRF)				
Managed Fund	860.7	906.0	-1.2	-
Equity Fund	1817.0	1912.7	-29.2	-
International Fund	129.1	135.9	-1.9	-
Property Fund	552.6	581.7	+0.1	-
Fixed Interest Fund	391.2	411.8	-2.8	-
Index Linked Sec Fund	59.2	62.4	-0.2	-
Deposit Fund	269.3	283.5	+0.1	-
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	105.21	110.74	+0.03	-
Managed Fd	81.79	86.09	-1.30	-
UK Ord Share Fd	86.11	90.64	-1.63	-
International Fd	72.36	76.17	-1.07	-
European Fd	82.11	86.43	-1.16	-
North American Fd	71.02	74.76	-1.33	-
Pacific Fd	63.25	66.57	-0.48	-
Property Fd	100.26	105.54	+0.02	-
Fixed Int Fd	94.02	98.96	-0.65	-
Intl Bond Fd	85.80	90.32	-0.78	-
Deposit Fd	105.94	111.51	+0.03	-
Unitised Pensions				
With Profits Fd	138.59	145.89	+0.06	-
Managed Fd	131.89	138.83	-1.74	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd - Contd.				
Individual Pension Funds				
UK Equity Acc	207.4	218.8	-2.9	-
UK Fixed Interest Acc	195.0	205.7	+0.1	-
Intl Equities Acc	190.8	201.3	+1.0	-
UK Managed Acc	166.7	175.8	-1.3	-
Property Acc	208.5	220.0	-0.1	-
Money Acc	148.5	156.7	+0.1	-
Special Market Acc	191.5	202.1	-1.9	-
Japan Equity Acc	146.8	154.9	+1.1	-
North American Acc	96.6	102.0	-2.4	-
Pacific Acc	140.7	148.5	-0.3	-
Technology Acc	127.8	134.9	+0.2	-
Natural Resources Acc	96.0	101.3	+0.3	-
European Acc	101.1	106.7	-1.6	-
Residential Prop Acc	103.5	109.2	.....	-
Swiss Equities Acc	30.9	32.6	-0.2	-
Hong Kong Acc	44.0	46.5	-0.5	-
UK High Inc Eqs Acc	66.5	70.2	-1.1	-
Int. Fixed Interest Acc	53.1	56.1	-0.1	-
Int. Managed Acc	50.7	53.4	+0.1	-
Group Pension Funds				
Equity Acc	687.5	708.8	-3.5	-
Fixed Interest Acc	574.7	592.5	.....	-
Managed Acc	118.5	120.8	-0.6	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund (Mixed)	976.5	1025.3	-20.3	-
Equity Fund	223.9	235.1	-7.6	-
International Fd	117.6	123.5	+0.6	-
Fixed Interest Fd	159.0	167.0	-1.2	-
Property Fund	226.0	237.3	.....	-
Index-Linked Fund	147.2	154.6	-0.3	-
Deposit Fund	155.6	163.4	.....	-
Pens. Mixed (Ord) Fd	238.3	250.2	-4.7	-
Gold Pensions				
Discretionary Fund		116.1	-2.3	-
Equity Fund		115.7	-3.7	-
Fixed Interest Fund		116.2	-0.6	-
International Fund		90.9	+0.4	-
Property Fund		138.5	.....	-
Index-Linked Fund		123.0	-0.2	-
Deposit Fund		133.6	.....	-
S & F Consolidation		121.8	-0.7	-
S & F Balanced		118.0	-2.0	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int-Fund Managers Guernsey Ltd				
Mngd Portfolio (Stlg)	9.55	10.15		-
Mngd Portfolio (Gilt)	3.66	3.92		-
Sterling Currency Fund Ltd				
US Dollar	$14.47			-
Sterling	£17.56			-
Deutschemark	DM37.77		+0.01	-
Japanese Yen	Y3,778		+3	-
Managed	$41.58	43.68	+0.28	-
Dartrust Management (Guernsey) Ltd				
Dartrust Limited	DM115.50	125.50		-
Fleuri-Condell Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.82	7.89		1.03
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	10.3464	0.3692	-0.082	14.06
Govett Far East Inv	$0.867	0.927	-0.016	-
Energy & Resources	$0.705	0.754	-0.009	-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$7.4608	7.9510		-
Hamlet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	9.825	10.354		10.09
Intl Inv-Intl High Inc	$48.504	51.116		5.54
Henderson Admin. (Guernsey)				
Balanced Gwth $ Prtflo	$1.812	1.951	+0.015	-
Balanced Gwth £ Prtflo	£1.047	1.120	-0.004	-
Select Mkts $ Prtflo	$1.856	2.007	+0.006	-
Inc & Gwth $ Prtflo	$1.675	1.782	+0.010	-
High Income $ Prtflo	0.592	0.627	+0.011	-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	66.25	70.85	-0.33	2.73
Kleinwort Benson Int'l Fd Mngrs Ltd				
KB Int.Ac.Bd.Acc*	£8.627	9.080		-
KB Japan Fund		$205.13		-
KB Sterling Asset	£29.16	29.17	+0.09	-
*Offer price inclusive of exceptional preliminary charge				
Kleinwort Benson Islamic Fd Mngmt Ltd				
Islamic Fund	$5.65	6.05		0.46

	Bid Price	Offer Price	+ or -	Yield Gross
Strauss (Isle of Man) Ltd				
Europ Fd Oct 4		11.63		-
UK Trend Oct 4		8.40		-
Target International (Isle of Man) Ltd				
IAAC Offshore Fd	7.61	8.22		-
Fleet Street Inv Fd	6.97	7.41		-
Offshore Income Fd	8.92	9.38		-
Nelson Mkts WW	9.05	9.53		-
Tattersall Intl Accts	6.66	6.94		-
Tyndall International (Isle of Man) Ltd				
Int Gilt/Building	99.8			-
(Accum Shares)	159.0	167.1	-0.2	-
Unitrust Scandinavian Fund Ltd				
Scandinavia Fd	164.22	174.76		2.0

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	0.803	0.803	0.858		2.5
Global Income (Inc)	5¼	0.395	0.395	0.422		4.4
Global Resources R	5¼	0.351	0.351	0.375		1.3
Currency Fund						
Stlg Premium Income R		10.17	10.20			
Capital House Fund Mngrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St., St. Helier, Jersey						
Tel: 0534 74689 (Dealing) 0534 75639 (Helpline)						
Facsimile: 0534 79040 Telex: 4192136						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	1.075	1.089	1.154		-
North American	5	1.352	1.384	1.469		-
Japanese	5	1.520	1.529	1.625		-
Pacific Basin	5	2.147	2.170	2.303		-
Continental European	5	2.343	2.373	2.519		-
Gold	5	1.356	1.386	1.470		-
Bonds						
Sterling Bond	5	1.367	1.367	1.442		-
International Bond	5	1.799	1.799	1.895		-
Currencies						
£ Sterling	0	24.46		24.46		14.75
US$	0	18.78		18.78		
Japanese Yen	0	3,580		3,809	+1.0	6.52
D Marks	0	[illegible]		57.69		

[illegible]

JERSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rumours move nervous dollar

THE DOLLAR recorded small mixed changes in nervous trading yesterday. It improved against the D-Mark and sterling but fell to Y130 against the Japanese yen.

A firmer tone to Eurodollar rates provided support, as rising oil prices led to suggestions that the US Federal Reserve may hold back from easing its monetary stance. Sentiment points towards a lowering of US interest rates, to stimulate a weak economy, but oil prices above $40 a barrel have added another factor to the argument that the Fed will wait, at least until the process of settling the US budget is complete.

Lack of fresh economic factors moved the Middle East situation back into the spotlight amid rumours that US troops had entered Kuwait and Iraq, and that Iraqi President Saddam Hussein had been overthrown or assassinated. Suggestions of military action by the US were quickly denied by the Pentagon, while the US State Department said it had no news about Mr Saddam and described the rumours as "another financial market panic." These provided flurries of activity during a generally quiet day, with Tokyo closed for a national holiday.

The dollar flirted with a technical resistance point at DM1.5330, rising to a peak of DM1.5340, but also tested support at DM1.5200, before closing in London at DM1.5280 against DM1.5255 on Tuesday. It also rose to FFr5.1150 from FFr5.1050, but was unchanged at SFr1.2770 and fell to Y130.00 from Y130.30, after touching a low of Y129.70. On Bank of England figures the dollar's index fell to 60.8 from 60.9.

Sterling showed a similar pattern of movement to the dollar, improving slightly against several of its new partners in the European Monetary System exchange rate mechanism, but losing ground to the yen.

The pound rose to DM3.0075 from DM3.0050 and to FFr10.0675 from FFr10.0600, but fell to Y255.75 from Y256.75 and to SFr2.5125 from SFr2.5175. It also lost ¼ cent to $1.9680. Sterling's index climbed 0.1 to 96.2.

Within the ERM the Italian lira remained at the bottom of the system, but was generally stronger after the Bank of Italy drained liquidity from its domestic money market with a reverse repurchase agreement tender. The D-Mark fell to L749.50 from L750.10 at the London close. In Milan the D-Mark was fixed at L749.61, prompting comments from dealers that the Italian authorities are trying to prevent the German currency rising above L750.

Sterling declined to L2,253.75 from L2,254.75 against the lira. This was reflected in the pound's overall performance in the system. Despite rising against most other members, sterling was only 2.12 per cent above its central rate against the lowest ERM currency (the lira) compared with 2.37 per cent on Tuesday.

£ IN NEW YORK

Oct.10	Latest	Previous Close
£ Spot	1.9635-1.9645	1.9725-1.9735
1 month	0.95-0.94pm	1.00-0.98pm
3 months	2.60-2.58pm	2.63-2.60pm
12 months	8.30-8.20pm	8.45-8.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.10	Previous
8.30 am	95.8	96.0
9.00 am	95.7	96.3
10.00 am	95.8	96.2
11.00 am	95.9	96.1
Noon	95.9	96.0
1.00 pm	95.9	96.1
2.00 pm	96.1	96.3
3.00 pm	96.1	96.2
4.00 pm	96.2	96.1

CURRENCY MOVEMENTS

Oct.10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.2	-16.6
U.S Dollar	60.8	-18.5
Canadian Dollar	102.5	+0.7
Austrian Schilling	109.6	+11.7
Belgian Franc	111.4	-2.2
Danish Krone	110.5	+4.9
Deutsche Mark	118.7	+24.7
Swiss Franc	115.7	+24.3
Guilder	114.4	+16.0
French Franc	105.4	-11.3
Lira	99.2	-19.8
Yen	134.6	+68.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.9.

CURRENCY RATES

Oct 10	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.725310	0.686685
U.S Dollar	7	1.42886	1.35105
Canadian $	12.82	1.64405	1.55439
Austrian Sch	6½	15.3588	14.5306
Belgian Franc	10½	44.9484	42.4940
Danish Krone	10½	8.32311	7.87326
Deutsche Mark	6.00	2.18516	2.06468
Neth.Guilder	7.00	2.46264	2.32732
French Franc	10¼	7.31362	6.91267
Italian Lira	12½	1638.15	1547.77
Japanese Yen	6	184.894	176.312
Norway Krone	8	N/A	7.99148
Spanish Peseta	-	137.338	130.012
Swedish Krona	11	8.04591	7.62129
Swiss Franc	6.00	1.82751	1.72665
Greek Drach	20½	N/A	206.468
Irish Punt	-	N/A	0.769612

† European Commission Calculations.
* All SDR rates are for Oct.9

OTHER CURRENCIES

Oct 10	£	$
Argentina	10769.8 - 10850.5	5460.00 - 5461.00
Australia	2.3790 - 2.3910	1.2090 - 1.2100
Brazil	172.550 - 174.020	87.50 - 88.20
Finland	7.1090 - 7.1230	3.6150 - 3.6180
Greece	295.50 - 301.30	150.95 - 153.40
Hong Kong	15.2530 - 15.2670	7.7540 - 7.7560
Iran	128.90*	65.30*
Korea(Sth)	1387.35 - 1409.75	711.10 - 716.70
Kuwait	N/A	N/A
Luxembourg	61.85 - 61.95	31.40 - 31.50
Malaysia	5.2995 - 5.3125	2.6970 - 2.6980
Mexico	5718.80 - 5741.45	2900.00 - 2930.00
N.Zealand	3.1810 - 3.1860	1.6160 - 1.6180
Saudi Ar	7.3365 - 7.3905	3.7490 - 3.7500
Singapore	3.4040 - 3.4120	1.7300 - 1.7320
S.Af (Cm)	4.9845 - 4.9975	2.5330 - 2.5360
S.Af (Fn)	7.2956 - 7.5195	3.7035 - 3.8170
Taiwan	53.65 - 53.75	27.25 - 27.30
U.A.E.	7.1930 - 7.2295	3.6700 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.10	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	130.012	-2.71	3.42	48
Sterling	0.696904	0.686685	-1.47	2.12	28
Belgian Franc	42.4032	42.4940	0.21	0.40	-7
French Franc	6.89509	6.91267	0.25	0.36	-11
Irish Punt	0.767417	0.769612	0.29	0.33	-10
Danish Krone	7.84195	7.87326	0.40	0.22	-15
German D-Mark	2.05586	2.06468	0.43	0.19	-24
Dutch Guilder	2.31643	2.32732	0.47	0.15	-20
Italian Lira	1538.24	1547.77	0.62	0.00	-38

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9610 - 1.9745	1.9675 - 1.9685	0.96-0.93cpm	5.76	2.63-2.59pm	5.30
Canada	2.2575 - 2.2715	2.2595 - 2.2605	0.29-0.18cpm	1.25	0.66-0.51pm	1.04
Netherlands	3.37 - 3.39¾	3.38½ - 3.39½	1⅝-1½cpm	5.53	4⅜-4⅛pm	5.01
Belgium	61.45 - 62.15	61.85 - 61.95	29-23cpm	5.04	77-67pm	4.65
Denmark	11.40¼ - 11.49¼	11.46¼ - 11.47¼	4⅛-3¼orepm	3.86	10¼-8⅞pm	3.34
Ireland	1.1170 - 1.1220	1.1170 - 1.1180	0.45-0.40ppm	4.56	1.15-1.00pm	3.85
Germany	2.99 - 3.01½	3.00¼ - 3.01	1½-1⅜pfpm	5.73	3¾-3⅝pm	4.99
Portugal	262.90 - 265.30	263.70 - 264.70	⅛-¼cpm	0.01	⅛-⅛pm	0.01
Spain	187.95 - 190.15	188.30 - 188.60	60-100cdis	-5.09	180-300dis	-5.09
Italy	2243 - 2261½	2253¼ - 2254¼	6⅝-5lirepm	3.09	17-14pm	2.75
Norway	11.58¾ - 11.66¾	11.62 - 11.63	3⅛-2⅝orepm	2.90	7⅞-6⅞pm	2.41
France	10.01 - 10.10	10.06¾ - 10.07¾	3⅝-3⅛cpm	4.17	9¼-8¼pm	3.58
Sweden	11.03¾ - 11.13	11.09 - 11.10	1⅝-1orepm	1.28	1⅜-1pm	0.50
Japan	255¼ - 257¼	255¼ - 256¼	1⅜-1¼ypm	6.16	3½-3⅜pm	5.38
Austria	21.03 - 21.23	21.11 - 21.14	9⅝-8⅜gropm	5.15	25½-23¼pm	4.62
Switzerland	2.50½ - 2.52	2.50¾ - 2.51¾	1⅜-1¼cpm	6.27	3½-3⅜pm	5.47
ECU	1.4425 - 1.4555	1.4485 - 1.4495	0.51-0.48cpm	4.10	1.35-1.29pm	3.64

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.79-4.72cpm. 12 Month 8.32-8.17cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9610 - 1.9745	1.9675 - 1.9685	0.96-0.93cpm	5.76	2.63-2.59pm	5.30
Ireland†	1.7525 - 1.7615	1.7545 - 1.7555	0.30-0.25cpm	1.88	0.90-0.80pm	1.94
Canada	1.1490 - 1.1530	1.1495 - 1.1505	0.42-0.45cdis	-4.54	1.22-1.27dis	-4.33
Netherlands	1.7150 - 1.7280	1.7215 - 1.7225	par-0.02cdis	-0.07	0.12-0.15dis	-0.31
Belgium	31.30 - 31.50	31.40 - 31.50	1.00-3.00cdis	-0.76	3.00-7.00dis	-0.64
Denmark	5.79⅛ - 5.83¼	5.82½ - 5.83	0.80-1.10oredis	-1.96	2.65-3.25dis	-2.02
Germany	1.5200 - 1.5340	1.5275 - 1.5285	0.01-0.03pfdis	-0.16	0.11-0.14dis	-0.33
Portugal	134.10 - 134.50	134.10 - 134.20	73-88cdis	-7.20	225-255dis	-7.16
Spain	95.75 - 96.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1140½ - 1149	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	5.90 - 5.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	5.09¼ - 5.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	5.62 - 5.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	129.70 - 130.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	10.71 - 10.76¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.2730 - 1.2820	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	1.3535 - 1.3615	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅞ - 13⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	8¼ - 8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	13 - 12¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	8⅛ - 7⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	7⅝ - 7⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	8⅛ - 8⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	9⅝ - 9⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	13 - 11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	9 - 8¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	7⅞ - 7⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D.Krone	9⅝ - 9⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	8⅜ - 8¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8[illegible] per cent; [illegible] years 9⅜-9¼ per cent nominal. [illegible]

EXCHANGE CROSS RATES

Oct.10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.960	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.508	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.333	0.654	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.911	7.697	11.76	1000.	39.38	9.824	13.26	8815	8.858	242.1
F Fr.	0.993	1.954	2.986	253.9	10.	2.495	3.366	2238	2.244	61.47
S Fr.	0.398	0.783	1.197	101.8	4.009	1	1.350	897.3	0.900	24.64
H Fl.	0.295	0.581	0.887	75.43	2.971	0.741	1	664.9	0.667	18.26
Lira	0.444	0.873	1.334	113.4	4.468	1.114	1.504	1000.	1.003	27.46
C $	0.442	0.871	1.331	113.1	4.456	1.112	1.500	997.3	1	27.39
B Fr.	1.616	3.179	4.858	413.1	16.27	4.058	5.477	3641	3.651	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
October	1535.0	1541.0	-6.0	1551.0	1516.0	10,799
November	1534.0	1547.5	-4.5	1551.0	1526.0	642
December	1539.0	1539.0	-18.0	1539.0	1539.0	440
March	-	-	-	-	-	0

Estimated volume 10,584 Total Open interest 11,881

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9680	1.9585	1.9419	1.9205	1.8855

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9482	1.9494	1.9446	1.9468
Mar	1.9230	1.9250	1.9220	1.9234
Jun	-	-	-	1.9036

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	15
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	15½
Allied Irish Bank	14	Duncan Lawrie	14	Provincial Bank PLC	16
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	15	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16½	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	15	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	15
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	15
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	15	● Hill Samuel	§14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Steadier trading

INTEREST RATES in London appear to have steaded after the sharp fall on Friday and Monday. The Bank of England underlined 14 per cent base rates by lending funds to the discount houses at that level on Monday, and has succeeded so far in dampening speculation about an early cut to 13 per cent.

Dealers still expect lower base rates, possibly by the end of the year, if sterling's value in the EMS exchange rate mechanism warrants it, but in the short term the market may be entering a period of consolidation.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month sterling interbank was quoted at 13⅞-13⅝ per cent compared with 13¾-13⅝ on Tuesday and 12-month money was 13⅛-13 per cent against 13⅛-13.

On Liffe short sterling futures remained quite active, finishing towards the top of the day's range. December delivery opened at 86.76 and touched 86.89 before closing at 86.86 against 86.83 previously.

Day-to-day credit was in tighter supply on the London money market than at first seemed likely. The Bank of England initially forecast a shortage of £350m, but revised this to £500m at noon.

Total help of £368m was provided. Before lunch the authorities bought £192m bills outright, by way of £71m bank bills in band 1 at 13⅞ per cent and £121m bank bills in band 2 at 13¾ per cent. In the afternoon another £56m bank bills were purchased in band 1 at 13⅞ per cent. Late assistance of around £120m was also given.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £537m, with a rise in the note circulation absorbing £85m and bank balances below target £145m. These outweighed Exchequer transactions adding £400m to liquidity.

In Frankfurt call money was unchanged at 8.05 per cent, after the Bundesbank added DM23.2bn at a 28-day securities repurchase agreement tender. This replaced an expiring facility of DM23.1bn. Banks paid 8.00-8.15 per cent for the new facility, against 7.95-8.10 for the expiring pact, prompting fears that a gradual rise could herald higher official rates later this year.

In Amsterdam the Dutch Central Bank provided Fl 5.47bn at an unchanged rate of 8.00 per cent under a five-day special advances agreement, replacing an earlier pact of Fl 5.69bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.10) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅞	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.10	Three year	8.13
Two month	7.31	Four year	8.33
Three month	7.44	Five year	8.46
Six month	7.59	Seven year	8.73
One year	7.63	10-year	8.86
Two year	7.95	30-year	9.01

Oct.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.15-8.25	8.20-8.35	8.45-8.60	8.60-8.75	8.00
Paris	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-10⅛	10⅛-10⅜	9.50
Zurich	6¾-7¼	7⅝-7⅞	-	7⅞-8¼	-	-
Amsterdam	7.94-8.06	8.20-8.30	-	8.43-8.53	-	-
Tokyo	7⅞-7⅞	7⅞-7⅞	-	8⅛-8⅜	-	-
Milan	9¾-10¼	10⅜-10⅞	-	11⅛-11½	-	-
Brussels	7.70	8⅞-9	-	8⅞-9⅛	-	-
Dublin	9¾-10	10⅛-10⅜	10½-10⅝	10⅝-10¾	10⅞-10⅞	-

LONDON MONEY RATES

Oct 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	13⅞	13⅞	13¾	13½	13⅛
Interbank Bid	13½	13⅞	13¾	13⅝	13⅜	13
Sterling CDs	-	-	13⅞	13⅞	13⅜	12⅞
Local Authority Deps.	13⅝	13¾	13⅞	13⅞	13½	13⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14½	13⅞	13¾	13¾	-	-
Company Deposits	-	-	13⅞	13⅞	13⅛	13
Finance House Deposits	-	-	13⅞	13⅞	13⅛	13
Treasury Bills (Buy)	-	-	13⅝	13⅛	-	-
Bank Bills (Buy)	-	-	13⅞	13⅛	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	13⅛	-
Dollar CDs	-	-	8.20	8.20	8.20	8.22
SDR Linked Dep. Offer	-	-	9⅛	9¼	9⅜	9⅞
SDR Linked Dep. Bid	-	-	9	9⅛	9¼	9⅝
ECU Linked Dep. Offer	-	-	9¾	10⅛	10⅜	10⅞
ECU Linked Dep. Bid	-	-	9⅝	10	10¼	10⅞

Treasury Bills (sell); one-month 13⅞ per cent; three months 13¼ per cent; six months 13⅛ per cent; Bank Bills (sell); one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 14.1447 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 28, 1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1,1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds [illegible]

Money Market Bank Accounts [illegible]

JOTTER PAD

CROSSWORD

No.7,364 Set by HIGHLANDER

ACROSS

1 Jerome and Oscar hit from a bow shot at random (8)
5 A force causing rotation? Converse can be stated (6)
9 Military operations almost came to grief, according to reporters (8)
10 Promise to involve reserve in attack (6)
12 King has been captured by spy in a foreign country (9)
13 Turner's too involved in rest and recreation (5)
14 Put a bullet in swallow's back (4)
16 Be left to combine with in her sex appeal (7)
19 Turns a pale colour when shouts include cry of pain (7)
21 Unexpectedly defeats the seeds (4)
24 It is needed, they say, to make money (5)
25 Pleasant smell from Parisian tabloid (9)
27 Other ranks have to cope with distressing experience (6)
28 It's crazy to split the kitty (8)
29 In time deserter will make mistakes (6)
30about certain old English wine (8)

DOWN

1 Do so before turning secular (6)
2 Only his mother initially has time for this level of resistance (6)
3 Put bucket down after bishop hit on head (5)
4 Trying to catch swimmers bending (7)
6 Proprietors have joint right of possession (9)
7 Accommodates fractions (8)
8 Denounce previous Community charge (8)
11 Dress about nine in the morning (4)
15 Richard's title derives from Latin hero (9)
17 Was wrong to wander about to listen to symptoms indicating disease (8)
18 Flatfish move with difficulty: almost all move freely below (8)
20 In the way if one has to examine carefully (4)
21 Sound of devotion that is plain (7)
22 He shoots birds on the run (6)
23 Conferred with under-cover journalist (6)
26 Scorch up about a hundred runs (5)

Solution to Puzzle No.7,363

DAYLIGHT BARUCH / PASSERBY SELDOM / CLANGERS ASTRID / CARTOONIST / GOOSEBERRY / OXTAIL ACROSTIC / TRIVET LIGAMENT / CLERIC ENTRANCE

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

NORWAY [illegible]

SPAIN [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices October 10

[illegible]

INDICES

NEW YORK DOW JONES

	Oct. 9	Oct. 8	Oct. 5	Oct. 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2445.54	2523.76	2510.64	2516.83	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.09	89.29	89.17	89.11	93.04 (3/1)	88.44 (24/9)	—	—
Transport	841.35	859.65	866.31	869.27	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.67	208.50	205.42	204.92	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.53 (8/4/32)

(Day's High 2514.60 (2548.02) Low 2437.87 (2507.28))

STANDARD AND POOR'S

	Oct. 9	Oct. 8	Oct. 5	Oct. 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	305.10	313.48	311.50	312.69	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	358.67	369.18	367.04	368.42	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.14	20.79	20.79	21.06	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.41	171.65	170.70	171.33	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	303.05	306.51	306.48	308.14	382.45 (5/1)	303.05 (9/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	339.11	348.14	347.36	349.09	469.60 (16/7)	339.11 (9/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 5	Sept.2	Sep.21	year ago (approx.)
Dow Industrial Div. Yield	4.04	4.14	4.03	3.62

	Oct. 3	Sep.26	Sept19	year ago (approx.)
S & P Industrial div. yield	3.42	3.49	3.29	2.71
S & P Indl. P/E ratio	14.85	14.56	15.12	14.29

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Motorola	3,777,100	52½	- 7¼
Travelers	2,248,800	12⅞	- 1½
Philip Morris	2,202,800	45⅜	- 1⅞
Home Depot	2,183,600	27½	- 2⅛
Deere	2,082,400	41½	- 2⅝
Boeing	1,773,300	44⅝	+ ½
Citicorp	1,603,200	14⅛	—
Eastman Kodak	1,565,000	35¼	- 2⅞
Waste Man	1,507,200	30⅞	- ⅞
Limited Inc	1,497,200	12⅞	- ¼

TRADING ACTIVITY

† Volume Millions	Oct. 8	Oct. 8	Oct. 5
New York	145.610	99.470	153.380
Amex	11.715	8.298	12.046
NASDAQ	109.583	74.907	109.639
Issues Traded	1,978	1,927	1,951
Rises	286	819	588
Falls	1,310	621	903
Unchanged	382	487	460
New Highs	-	12	3
New Lows	192	95	165

CANADA TORONTO

	Oct. 9	Oct. 8	Oct. 5	Oct. 4	1990 HIGH	1990 LOW
Metals & Minerals	2811.80	(c)	2852.73	2869.50	3453.05 (4/1)	2811.80 (9/10)
Composite	3139.50	(c)	3166.86	3175.95	4009.47 (3/1)	3139.50 (9/10)
MONTREAL Portfolio	1670.41	(c)	1688.27	1694.35	2060.90 (3/1)	1670.41 (9/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 10	Oct. 9	Oct. 8	Oct. 5	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1360.2	1375.4	1369.6	1356.8	1715.7 (12/1)	1356.8 (5/10)
All Mining (1/1/80)	669.4	677.6	677.5	676.6	888.8 (5/1)	669.4 (10/10)
AUSTRIA						
Credit Aktien (30/12/84)	425.79	431.72	430.81	419.12	703.29 (19/7)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5071.15	5131.49	5147.64	5113.78	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	336.88	339.00	338.81	337.19	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	423.5	429.4	430.6	431.5	677.3 (2/1)	421.9 (10/10)
FRANCE						
CAC General (31/12/82)	421.68	427.54	428.37	421.08	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1541.06	1549.07	1585.67	1545.60	2129.32 (20/4)	1489.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	602.27	628.37	632.16	608.54	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1729.80	1772.7	1782.3	1720.6	2414.0 (3/4)	1631.7 (28/9)
DAX (30/12/87)	1407.11	1433.41	1465.53	1391.76	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2872.41	2913.52	2925.48	2858.45	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1258.53	1295.02	1321.64	1292.37	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	556.02	566.95	571.55	570.16	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	(c)	23495.11	23630.80	22927.65	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	(c)	1728.69	1727.19	1680.67	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	(c)	3146.12	3124.44	3065.27	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	470.09	474.46	473.86	470.36	632.22 (1/8)	459.88 (28/9)
NETHERLANDS						
CBS TtlRtn Gen (End 1983)	232.6	231.8	235.5	228.8	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.8	170.2	172.9	168.0	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	773.20	775.06	782.45	767.08	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	552.34	571.81	567.37	524.80	1168.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	303.27	307.58	311.34	312.36	446.87 (16/7)	303.27 (10/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1509.8	1513.8	1524.0	2230.0 (26/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	(c)	2682.0	2682.0	2646.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	617.12	(c)	614.86	624.13	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	217.59	219.54	222.84	219.28	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	949.6	983.0	991.8	968.1	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	642.9	648.0	653.1	640.0	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	(c)	2746.25	2895.61	2771.40	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	655.55	682.19	680.09	672.98	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	455.5	462.1	459.2	571.0 (4/1)	425.1 (28/9)

**Saturday October 6: Taiwan Weighted Price: 2739.04 Korea Comp Ex. 616.47

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices October 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	10½	AAR	.48	5.0	6	1137	10¼	d 9½	9⅝	– ⅜
9¼	7¼	ACM In	1.01	13.		117	8	7⅞	7⅞	
11⅝	8¾	ACMIn	1.26	14.		1716	9⅛	8⅞	9	– ⅛
9¼	6½	ACM M	p1.01	15.		139	7	6⅞	6⅞	– ⅛
12⅛	10	ACMMM	1.50	13.		75	11½	11⅜	11½	
11½	8⅝	ACM Sc	1.26	14.		1458	9⅛	8⅞	8⅞	– ⅛
9⅜	7⅛	ACMSp	1.01	13.		352	7⅝	7⅝	7⅝	
24⅝	14⅝	AL Lab	.16	.9	16	5	18⅜	18⅜	18⅜	– ⅛
5¼	1¼	AM Ind				185	1½	1⅜	1⅜	
23⅛	6¾	AM In pf	2	35.		201	6⅛	d 5¾	5¾	– ⅜
104⅞	38¼	AMR			9	2795	42⅛	40⅝	42⅛	+1⅛
72¼	42⅝	ASA	3a	6.6		670	45⅞	45¼	45½	+ ¼
45⅝	30⅝	AbtLab	s.84	2.1	19	4655	41	39¾	40½	+ ¼
11⅜	5½	AcmeC	.40	7.8	6	315	5¼	d 4⅞	5⅛	
8⅜	5½	AcmeE	.32	5.7	7	6	5⅜	5½	5⅝	+ ⅛
32¾	16⅞	Acuson	s		20	654	25½	24¼	24¾	–1⅛
18⅞	14⅛	AdaEx	2.08e	14.		61	14⅞	14⅜	14⅞	+ ⅛
15⅞	10	Adobe				209	11⅛	10¾	10⅞	– ⅛
21⅝	19¾	Adob pf	2.40	12.		3	20½	20½	20½	+ ⅛
11⅜	3¼	AMD			16	5481	4⅛	3⅞	4	
32⅞	16	AMD pf	3	19.		8	16⅛	16⅛	16⅛	+ ⅛
9¼	2	Advest	.16	8.0	25	209	2⅛	2	2	– ⅛
62½	30⅛	AetnLf	2.76	9.0	5	6050	30⅞	d30⅛	30½	+ ⅛
13¼	7⅜	AhiPb	.24	3.1		187	7¾	7⅜	7⅝	– ⅛
24½	11⅛	Ahmans	.88	6.8	6	2021	13⅛	13	13¼	+ ⅛

[illegible]

Continued on Page 39

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45¾	26	RochTl	1.45	5.4	14	70	27¾	27¾	27¾	-¼
22⅛	15¾	RckCtr	1.88	12.	16	223	15⅝	15¾	15⅝	
28¾	19¾	Rockwl	.96	3.5	10	2152	25⅜	24⅞	24⅞	-¼
7½	5	RodRen			12	8	5	5	5	-⅛
38⅞	24¼	RohHaas	1.24	4.6	10	686	27⅝	26¾	27¼	+⅛
28⅛	11½	Rohr				817	12⅜	11⅞	12⅜	+⅜
15¼	7¼	RollnE	.09	1.1	19	639	8¼	7⅞	8	-¼
20⅜	15⅞	Rollins	.56	3.1	16	87	18	17⅞	17⅞	-⅛
8¼	5⅝	RolLees	.20	3.1	7	884	6½	6⅜	6½	
15¾	7½	Rowan				1503	13¾	13⅜	13½	-¼
25¼	19⅞	RBScl	pr2.82e13.			80	21⅛	20⅞	21⅛	
87	60⅜	RoyD	4.25e	5.3	12	6102	80⅝	80¼	80⅛	+¼
9⅞	7⅝	Royce	.62a	8.9		58	7⅞	d7½	7½	-⅜
45	37	Rubmd	.52	1.5	20	899	34	33⅝	33⅞	+⅜
18⅝	13¾	RussBr	.40	2.6	14	128	15¼	15¼	15¼	
13	5⅞	RussTg	.20	3.1		60	6⅜	6⅜	6⅜	
31	19⅝	Russell	.32	1.5	13	289	21½	21	21⅛	-¼
27½	12⅞	Ryder	.60	4.3	42	1875	14¼	13⅞	13⅞	-⅜
25	15¼	Rykoff	.60	3.8	17	62	16	16	16	
23⅜	9½	Rylend	.60	5.6	4	67	10⅝	10¼	10⅝	+⅛
12¼	4⅞	Rymer				4	4⅞	d4¾	4¾	-⅛
		— S–S–S —								
41	33½	SCEcp	2.64	7.1	10	3508	37⅞	37	37⅛	+¼
9½	4⅝	SL Ind	.16	2.8	115	2	5⅝	5⅝	5⅝	+⅛
56¼	30⅝	SPSTec	1.28	4.2	15	190	31½	30¾	30¾	-1½
38½	13⅝	SPX Cp	1	7.5	9	209	14	d13¼	13⅜	-⅝
17	1⅞	Saatchi	.10j			435	2⅛	2	2⅛	
14⅛	10⅞	SabnR	1.30e	10.	9	21	13	13	13	
11⅞	5	Safecrd	.15	2.7	6	2882	6	5⅝	5⅝	-½
16½	10⅜	SfgdSc			9	27	10½	d10¼	10¼	-½
44⅞	27⅞	SafKln	.40	1.1	24	489	35½	34⅞	34⅞	+⅜
16⅞	11⅝	Safewy n				600	12⅛	12	12⅛	-⅛
4⅞	2½	Safwy wt				397	2⅝	2½	2½	-⅛
21¼	15⅜	SuprFd	s.32	1.9	13					
29	21⅛	SupVals	.88	2.8	13					
25½	14⅞	Suplnd	s.29b	1.7	9					
7½	2⅞	SwiftIv	.05e	.8						
22⅞	6¼	SybTc			19					
19½	12⅞	Symcs	.38	2.9	13					
63¾	40	Syntex	1.80	3.0	19					
38⅞	25¼	Sysco	.28	.8	22					
24⅞	5½	SysCt			17					
		— T–T–T —								
28	6⅛	TCBY	.40	8.2	7					
15½	6¾	TCF Fn	.40	6.3	5					
8⅞	6⅛	TGW	.84	13.						
51¼	23½	TDK s	.29e	.7						
30	25	TECO	1.62	5.6	12					
8⅝	6⅛	TIS	1.28	20.	7					
20	10⅞	TJX	.48	4.1	12					
22½	14½	TNP	1.53	9.4	9					
51¾	38	TRW	1.72	4.5	9					
4½	⅛	TacBt n								
43⅛	14	Taiwan	1.68e	9.9						
12½	4¾	Talley	.50	8.3	7					
17¼	9⅛	Talley pf	1	10.						
91	67¼	Tambd	2.16	2.9	19					
30⅛	10	Tandem			8					
47⅞	23½	Tandy	.60	2.3	7					
12⅛	10½	TaurNY	n.45e	4.1						
12⅝	10¼	TauCA	n.43e	4.0						
17⅞	6½	TchSym			6					
19¼	11⅞	Teleraz	.60	4.3	36					
2	15-16	Telcom			13					
38⅞	14⅝	Teldyn	s .20	5.8	3					
29⅜	22⅛	Telel	1.51e	6.6	8					
38⅜	25½	Templt	s.80	2.0	6					
15½	8⅛	WylaLb	.28	2.6	9	30	10⅝	10⅛	10⅛	-⅜
25½	14⅝	Wynns	.60	4.0	10	14	15¼	15	15	-½
		— X–Y–Z —								
68⅞	32⅝	Xerox	3	9.0	6	1535	33⅝	32⅞	33⅛	+⅛
32⅞	16⅛	XTRA	.72	4.5		23	16⅛	d16⅛	16⅛	-⅛
4	1	Zapata				329	1⅛	1⅛	1⅛	-⅛
16	4⅛	ZenithE				878	4⅝	d4⅛	4⅝	
19⅝	12	ZenNtl	.80	6.5	8	35	12⅞	d12⅝	12⅝	-⅜
8⅞	4½	Zenlz	.80	15.		104	5⅛	5	5	-⅛
17¼	9⅝	Zero	.40	3.9	10	221	10⅞	10	10⅝	+⅛
61⅛	30⅛	Zurnin	.76	2.2	15	158	34⅝	33⅞	34	-⅜
12⅝	10⅛	Zweig	1.18e	11.		519	10⅝	10⅜	10⅜	-⅛
10	6⅛	ZweigTl	.84	11.		1732	8⅛	d7⅞	8	-⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 10

NASDAQ NATIONAL MARKET

3pm prices October 10

Stock	Div.	Sales 100s	High	Low	Last	Chng
Williamt	1.50e	8	752	39	d38½	38½ -¼
WmSon s		14	649	15	14⅞	14⅞ +⅛
WilmTr	1.44	9	107	34	33¼	33½ -⅛
WiserO	.40	30	22	18½	18¼	18¼ -⅛
Wolohn	.28b	7	12	12¾	12⅛	12⅛ -⅛
WrvExp			690	6⅛	5⅞	5⅞ -⅛
WrvCx pf			446	18	17¾	17¾ -⅛
Worthg	.60	19	416	20⅛	19⅝	20⅛ +⅛
Wyman	.30		320	6¾	6¼	6½
— X–Y–Z —						
XL Dts		5	199	8⅛	8	8⅛
XOMA			1539	16¼	d15	16½ +⅛
Xilinx			888	10½	d10	10½ +⅛
YenEnS	1.02	15	81	19	18⅞	19
YelowF	.82	39	617	19⅛	18¾	18¾ -⅛
YorkRe		10	670	8	7⅞	7⅞ +⅛
Zeos		14	53	13½	12¾	12¾ -½

AMERICA

Dow tracks oil price in volatile morning trading

Wall Street

VOLATILITY characterised yesterday morning on Wall Street, with rumours about the Middle East dictating equity movements in the absence of any significant economic news, *writes Karen Zagor in New York.*

At 2 pm the Dow Jones Industrial Average was 5.19 lower at 2,440.35 on moderate volume. On Tuesday, the Dow had fallen 78.22 to 2,445.54, its biggest loss since August 5.

Oil prices were the driving force behind equity movements yesterday. Shares opened lower as oil prices surged to record highs amid renewed rumours of war in the Middle East. But an unsubstantiated rumour that Iraq's President Saddam Hussein had been assassinated was sufficient to send oil prices lower, with November crude falling 65 cents to $39.75 after trading as high as $41.15 in the morning, and the Dow added more than 18 points by midsession. Stocks were also supported at midday by computer-driven programs.

However, the overall tenor of the market was negative, and declining issues outpaced advancing by seven to five even when the Dow was posting gains. Losses were particularly noticeable in the secondary market, with the New York Stock Exchange composite down 0.38 at 167.03 at 1 pm and the NASDAQ composite off 3.11 at 336.00.

Among featured stocks, Primerica added $⅜ to $18⅜. Mr Sanford Weill, the company's chairman, and other executives have been buying the depressed stock, according to filings with the Securities and Exchange Commission.

CBS dropped $14 to $151⅞ after the company reported sharply lower third-quarter earnings. CBS said that it expected earnings to continue to decline in the near term.

Wal-mart slipped $¼ to $25⅞ in active trading. The stock, which traded as high as $31¼ in August, is considered to be overvalued by several analysts.

Toys R Us, another high-valued stock, fell $1⅝ to $21¼ in heavy midday trading. Several analysts are cautious about the company's near-term business prospects.

Blue chip issues were mixed. General Electric fell $⅛ to $52⅝ and Philip Morris added $¼ to $45⅞.

British Steel's American depositary receipts gained $⅜ to $24⅛ after the company agreed to buy a 45 per cent stake in Artistrain, a Spanish steel group.

In the secondary market, Laidlaw class B shares fell $1 to $16⅝ in heavy trading. US Bancorp moved $1⅛ lower to $17⅞ in spite of reporting better-than-expected third quarter income of 81 cents a share, against 65 cents a year earlier.

Novell dropped $1⅝ to $21⅝ after Merrill Lynch downgraded its intermediate term rating on the company to neutral, but maintained a long-term buy rating on the stock.

Canada

TORONTO stocks slumped in midday trade after fluctuating on unfounded rumours that Iraqi President Saddam Hussein had been shot and US forces had invaded Kuwait. The composite index lost 16.7 to 3,122.8 on volume of 15.8m shares. Declines led advances by 261 to 133.

The transportation sector, which accounts for 3.7 per cent of the composite index, dropped more than 400 points following losses in Air Canada, PWA and Laidlaw.

Laidlaw class B shares sank C$1⅛ to C$19⅛ on volume of 1.87m shares before the release of its fourth quarter earnings later this week. Air Canada said late on Tuesday that it would lay off 2,900 workers and suspend service on several of its European and Asian routes. Its shares fell C$⅜ to C$7⅜.

Single country funds see speedy return to normality

Tulipomania. Penguin Books.

Tulip fever in the 17th century was one example of how investors are prone to manias during bull markets. The latest mini-mania to emerge has been a passion for single country funds. Steven Bates examines how these funds are managing as the bears reappear

BULL MARKET peaks are always marked by financial manias. History has provided tulip fever in Holland, a Florida land bubble and now the delusion of leveraged buy-outs.

Behind these grand illusions have always been smaller ones marking turning points in the fortunes of the financial services industry. One mini-mania which has flared up – and died down – within the past year is the fashion for single country funds, especially in the emerging markets of the Far East, but also to an extent in Europe and Latin America.

There have always been single country funds which offer exposure to the more exotic markets of the world, but for the most part these have had an investment trust structure and an institutional shareholder base.

The onshore unit trust industry, however, has never been convinced of the virtues of open-ended funds investing exclusively in fringe markets.

There are, for example, only two Thai onshore unit trusts in the Finstat (part of the Financial Times group) database. Even in a more mature market such as Germany, there are just half a dozen authorised trusts, of which four have been launched, unsurprisingly, during the past year.

The off-shore unit trust market, however, is another story. One year ago, the data on Finstat, which is admittedly incomplete, suggested that there was a handful of single country off-shore unit trusts in the Far Eastern secondary markets managing about £60m. One year later, just before the Gulf crisis erupted, the number of funds had more than doubled, and the amount of money under management had shot up to more than £400m. Jardine Fleming, a leader in this market, has launched a Thai fund and a Malaysian fund within the last 14 months.

The growth of these funds has been led by client demand, particularly from Taiwanese private investors looking for the next emerging market. To some extent, of course, the weight of money alone has pushed these markets up. In the first six months of this year, for example, the Indonesian market produced a dollar return of 54 per cent, and the Thai market rose nearly 20 per cent.

Over the longer term, the performance of these stock markets has been even more spectacular. It is this past record which creates the platform from which to pull in new money. One of the biggest successes has been the Jardine Fleming Thailand Trust, which was launched in August last year. By the end of July this year the fund had grown to over $200m in size and the price of its units had risen by 88 per cent.

Of course, this rate of growth could never have lasted but, without the Iraqi invasion of Kuwait, the return to normality might have been a little more dignified. During August, the size of the Jardine Fleming Thailand Trust nearly halved, while the price of its units fell by just over 20 per cent, in line with the Thai stock market. There have been additional redemptions in September, reducing the size of the fund to $75m.

This sort of heart-stopping volatility is a fund manager's nightmare and it is almost impossible to deal in illiquid, falling markets. It is not difficult to imagine the problems there must have been in even less liquid markets such as Indonesia or the Philippines.

Things may have settled down to the extent that these single country funds now have more stable and broadly diversified unitholder bases, not unlike those you would expect to find in regional funds.

The phenomenon of these funds seems to have died down without any major accident yet occurring, but the risks of investing in single country vehicles in emerging markets remain. These are all volatile, illiquid markets, especially in times of crisis. The investor in these markets is knowingly accepting the risks of non-diversification in the expectation of earning higher returns.

The risk of volatility is effectively reduced if investors are prepared to hang on for the long term (say five years), but they are still taking on a lot of country risk if their exposure is only to one market.

For investors who think that the highest returns will be achieved in, say, Thailand, the risk of investing their money can be considerably reduced if they also invest in another country where the stock market is relatively unrelated to the Thai market, such as Brazil.

This is not a recommendation to combine these two assets, but rather an illustration of how an emerging market fund manager might begin to reduce risk and maximise return.

FOR the investor who wants a long-term exposure to emerging markets, and has the expertise to choose between one market and another, a portfolio of unit trusts and closed-end funds offers a simple, cheap solution.

The closed-end fund will not be subject to the risks of the huge cash flows which can ruin unit trust performance but can, of course, trade at a discount to net asset value. It is the Mercedes of emerging market investment, to the unit trust's Porsche. Taiwanese investors, incidentally, are now looking for "guaranteed return" products; in a word, cash.

Steven Bates is a director of Fleming Investment Management.

EUROPE

Bourses trim early losses triggered by Gulf worries

EARLY LOSSES followed unsubstantiated rumours that US troops had moved into Kuwait yesterday, but Wall Street's recovery from opening losses helped those bourses that were still open to rebound, *writes Our Markets Staff.*

FRANKFURT fell back to last Friday's level, wiping out what was left of Monday's gain. Uninspiring company news weighed on prices and the weak dollar was seen as hurting German exports. The FAZ index fell 16.1 to 602.27 and the DAX lost 26.30 to 1,407.11. Volume shrank to DM3.3bn from DM3.6bn.

Among the market leaders, Deutsche Bank fell DM12.50 to DM595 and Siemens lost DM9.50 to DM540. BASF, the chemicals company, eased DM5.10 to DM207 after saying in a newsletter that group sales in the first eight months of 1990 had fallen 4 per cent to DM30.8bn. The newsletter also quoted Mr Jürgen Strube, BASF chairman, who said that earnings development had been "exceptionally unsatisfactory".

Johannesburg was closed yesterday for a holiday

Asko, the retailer, fell DM9 to DM894, after news that sales at its subsidiary, Adolf Schaper, had risen 13 per cent in the year ended September 30.

Schering, the pharmaceutical company which has been the subject of several positive broker reports recently, eased less than the market, falling DM4.90 to DM635.50.

AMSTERDAM came off the day's low as the Dow ventured into positive territory. The rise also followed the bourse's temporarily halt of the creation of puts in six stocks on the European Options Exchange, because of the increasing weight of short selling. The CBS Tendency index finished 0.4 better at 93.2 after a low for the day of 92.2.

Analysts remained pessimistic about the outlook. Mr John Gerth at Citibank said he expected earnings growth of only 2 per cent for the international stocks, although a better outlook for domestic stocks raised the forecast for the whole market to 6 per cent.

He added that, with Dutch bonds yielding 9¼ per cent, it was difficult to entice investors into equities.

Stocks with relatively high yields fought the weaker trend, with insurers Amev rising 10 cents to Fl 45.20 and Aegon up 60 cents at Fl 109.60.

PARIS was hurt in early trading by the rumour of a US move into Kuwait, falling to a low of 1,517.97 on the CAC 40 index, but it recovered as Wall Street reversed its opening declines. The index closed at 1,540.12, down 11.34. Turnover was estimated at FFr1.5bn.

Vallourec, the steel pipe maker, dropped FFr16.90 or 6.5 per cent to FFr245.10 after a fall in first-half profits. Spie Batignolles shed FFr25 to FFr463.50 after its results.

Sanofi, the pharmaceuticals group, fell sharply by mid-afternoon, losing 5 per cent to FFr725 after news that it was raising its stake in Diagnostics Pasteur, a microbiology company, from 51 per cent to 67.6 per cent. It closed at FFr735, down FFr28.

Mr Andrew Burke Smith at Citicorp also drew attention to recent reports in the French medical press that Sanofi's leading drug, Ticlid, an anti-coagulant which is awaiting approval from the Food and Drug Administration in the US, had been overprescribed by doctors in France. Doctors had now been directed to follow only the original prescription guidelines.

SCOA was active again, easing 60 centimes to FFr17 on 265,200 shares. Paribas denied rumours that it was looking to sell its stake.

STOCKHOLM declined by 1.3 per cent after Wall Street's overnight fall; the Affärsvärlden General index dropped 13.2 to 969.8. Generally quiet trading was enlivened by some corporate stories.

News that S-E-Banken had an option to buy a 28.2 per cent stake in Skandia, the insurance company, lifted Skandia's shares to SKr150, before they closed at SKr142, up SKr7 or 5.2 per cent. S-E-Banken, which reported a rise in group operating profit, saw its restricted A shares fall SKr1.5 to SKr66.

Procordia's free Bs tumbled SKr15 or 9.7 per cent to SKr140 after Tuesday's poor eight-month results. Volvo's free Bs slipped SKr4 to SKr286; the company confirmed that it was holding talks with Mitsubishi Motors of Japan, but would not comment on reports that it was planning a joint venture to produce cars in the Netherlands.

MILAN continued to decline on higher oil prices. There was some selling linked to position adjustments before today's expiry of the monthly stock options, almost all of which are likely to be abandoned. Volume was estimated at above Tuesday's L80bn, a low for the year. The Comit index dropped 10.93 to 556.02.

Banking and telecommunications stocks were again afflicted by foreign selling. Stet plunged L100 or 5.3 per cent to L1,790, its low for the year and 37 per cent off its high for the year of L2,840.

ZURICH partially recovered early losses on Wall Street's rebound, but volume was thin. The Crédit Suisse index eased 5.1 to 497.5.

MADRID's general index ended 1.95 down at 217.59, recouping part of its early loss.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World indices as at SEPTEMBER 28 1990 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar Index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at SEPTEMBER 28 1990 (US$m)	% of World Index	Market capitalisation as at JUNE 29, 1990 (US$m)	% of World Index	% change in $ index since DECEMBER 29 1989
Australia (79)	90354.6	1.60	93356.2	1.34	−10.62
Austria (19)	9768.7	0.17	14778.6	0.21	−1.35
Belgium (61)	43426.0	0.77	51316.8	0.74	−17.46
Canada (119)	134902.5	2.38	145580.8	2.09	−16.21
Denmark (33)	24698.9	0.44	26699.4	0.38	−3.04
Finland (26)	2633.7	0.05	3380.6	0.05	−22.08
France (122)	183185.1	3.24	230219.9	3.30	−19.14
Germany (92)	234146.1	4.14	306509.4	4.39	−18.05
Hong Kong (46)	50458.3	0.89	60501.5	0.87	−3.68
Ireland (17)	7803.1	0.14	10716.6	0.15	−23.09
Italy (94)	95948.5	1.70	126133.3	1.81	−17.28
Japan (454)	1759088.6	31.09	2386210.1	34.20	−45.11
Malaysia (35)	6240.1	0.11	7773.2	0.11	−20.12
Mexico (13)	9509.3	0.17	9796.9	0.14	+47.84
Netherland (42)	96869.6	1.71	106792.3	1.53	−11.36
New Zealand (16)	8301.3	0.15	9533.1	0.14	−22.16
Norway (23)	8497.8	0.15	8199.7	0.12	+21.90
Singapore (25)	12398.4	0.22	16603.0	0.24	−16.91
South Africa (60)	48220.9	0.85	50796.4	0.73	−15.39
Spain (42)	57585.4	1.02	76057.8	1.09	−21.18
Sweden (34)	23591.5	0.42	32568.0	0.47	−17.69
Switzerland (65)	88576.2	1.57	107511.9	1.54	−9.64
United Kingdom (300)	634307.1	11.21	715840.7	10.26	−6.26
USA (534)	2028496.1	35.85	2381001.4	34.12	−13.77
Europe (970)	1510837.6	26.70	1816875.1	26.04	−12.27
Nordic (116)	59421.9	1.05	70847.7	1.02	−8.00
Pacific Basin (657)	1926841.4	34.05	2573977.2	36.89	−43.19
Euro−Pacific (1627)	3437679.1	60.75	4390852.2	62.92	−32.80
North America (653)	2163398.6	38.23	2526582.2	36.21	−13.92
Europe Ex. UK (670)	876530.5	15.49	1101034.4	15.78	−16.14
Pacific Ex. Japan (203)	167752.8	2.96	187767.1	2.69	−10.22
World Ex. US (1819)	3630311.8	64.15	4597026.4	65.88	−32.01
World Ex. UK (2053)	5024500.8	88.79	6262187.1	89.74	−28.34
World Ex. So. Af. (2293)	5610587.0	99.15	6927231.4	99.27	−26.47
World Ex. Japan (1899)	3899719.3	68.91	4591817.7	65.80	−13.09
The World Index (2353)	5658807.9	100.00	6978027.8	100.00	−26.39

ASIA PACIFIC

New York unsettles Far East

PACIFIC RIM markets were shaken by the large drop on Wall Street overnight. Tokyo and Taiwan were closed.

SEOUL re-opened weak after Tuesday's holiday as 25 brokers sold Won98bn worth of stocks from indebted accounts. However, the composite index ended 3.06 better at 617.12 on active volume of Won226.8bn.

NEW ZEALAND fell to a 5½-year low. The Barclays index lost 39.42 to 1,415.94. Turnover contracted to NZ$9.9m from NZ$10.9m.

AUSTRALIA's All Ordinaries index shed 15.2 to 1,360.2, but was off the day's low of 1,356.4. Turnover slipped to A$132m from A$146m. News Corp, which has a heavy exposure in the US, fell 34 cents to A$6.36.

HONG KONG's Hang Seng index retreated 41.11 to 2,872.41. Turnover rose to HK$588m from HK$552m.

SINGAPORE reached its lowest level since January 1989. The Straits Times Industrial index receded 15.16 to 1,090.14. Volume expanded to S$45m from S$36m. **KUALA LUMPUR's** composite index dipped 4.37 to 470.09 and **MANILA's** composite lost 19.47 at 552.34.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 9 1990								MONDAY OCTOBER 8 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	135.00	+0.2	101.57	111.19	107.07	107.61	+0.4	7.21	134.77	101.22	111.30	107.52	107.21	158.31	125.85	157.76
Austria (19)	193.42	+3.0	145.53	159.31	153.40	153.07	+2.2	1.78	187.82	141.07	155.12	149.84	149.78	285.63	178.57	172.22
Belgium (61)	134.55	+0.1	101.23	110.81	106.71	104.19	−0.5	5.56	134.41	100.95	111.00	107.23	104.75	160.02	126.67	143.07
Canada (120)	126.76	−0.7	95.36	104.39	100.52	105.59	−0.8	3.79	127.60	95.83	105.37	101.79	106.39	153.61	126.75	154.17
Denmark (33)	249.41	+1.4	187.65	205.43	197.81	197.17	+0.5	1.50	246.00	184.76	203.17	196.25	196.15	277.82	234.05	202.88
Finland (26)	103.18	−0.2	77.63	84.99	81.84	78.18	−0.4	3.50	103.36	77.63	85.36	82.46	78.53	152.29	102.75	126.38
France (123)	133.67	−1.2	100.57	110.09	106.00	107.04	−1.9	3.84	135.34	101.65	111.76	107.96	109.07	168.85	124.98	139.94
Germany (91)	113.07	+0.0	85.07	93.14	89.67	89.67	−0.6	2.51	113.07	84.92	93.39	90.20	90.20	144.63	101.38	103.51
Hong Kong (48)	118.65	−0.5	89.27	97.72	94.10	118.12	−0.5	5.59	119.22	89.55	98.46	95.12	118.70	147.49	112.24	120.53
Ireland (17)	155.04	−1.4	116.65	127.70	122.96	124.09	−2.2	4.21	157.24	118.10	129.86	125.44	126.89	198.57	139.04	160.54
Italy (91)	85.36	−0.3	64.23	70.31	67.70	72.95	−0.9	3.34	85.63	64.32	70.72	68.31	73.64	109.26	80.87	91.29
Japan (454)	127.34	+0.4	95.81	104.88	101.01	104.88	+0.1	0.81	126.82	95.25	104.74	101.19	104.74	197.28	106.58	182.75
Malaysia (35)	188.05	+0.4	141.49	154.88	149.14	195.37	+0.3	3.13	187.37	140.73	154.74	149.48	194.73	250.89	182.96	208.37
Mexico (13)	506.72	+2.1	381.25	417.36	401.88	1609.42	+2.1	0.42	496.40	372.83	409.95	396.02	1576.64	561.41	324.53	322.59
Netherland (41)	132.99	−0.6	100.06	109.54	105.48	104.34	−1.4	5.49	133.85	100.53	110.54	106.79	105.81	149.03	127.56	131.43
New Zealand (16)	56.02	+0.8	42.15	46.15	44.43	47.94	+1.1	7.24	55.55	41.72	45.88	44.32	47.42	75.36	56.56	81.70
Norway (28)	244.16	−0.2	183.70	201.10	193.65	195.61	−0.7	1.59	244.60	183.71	202.01	195.14	196.96	276.79	202.34	181.02
Singapore (25)	150.92	−0.5	113.55	124.31	119.69	120.25	−0.9	3.51	151.65	113.90	125.25	120.98	121.36	209.24	147.24	168.71
South Africa (60)	166.29	+3.6	125.12	136.96	131.88	136.65	−0.5	4.18	160.47	120.53	132.53	128.02	137.29	251.39	151.50	157.13
Spain (42)	138.10	−0.9	103.90	113.75	109.53	100.28	−1.6	5.49	139.41	104.71	115.14	111.22	101.87	182.25	128.54	163.71
Sweden (27)	181.87	−0.8	136.83	149.80	144.24	151.51	−1.3	2.68	183.32	137.68	151.40	146.25	153.47	234.83	158.07	182.49
Switzerland (67)	91.61	−0.4	68.93	75.46	72.67	72.53	−1.0	2.94	92.01	69.10	75.99	73.41	73.24	109.77	86.00	91.29
United Kingdom (300)	167.70	−3.2	126.17	138.11	132.99	126.17	−3.1	5.51	173.28	130.14	143.09	138.23	130.14	176.18	139.87	141.66
USA (533)	123.01	−2.6	92.55	101.32	97.57	123.01	−2.6	3.99	126.30	94.86	104.31	100.76	126.30	148.95	121.30	145.99
Europe (966)	137.10	−1.7	103.15	112.92	108.74	106.14	−1.9	4.40	139.41	104.70	115.13	111.22	108.23	157.85	124.91	127.82
Nordic (114)	186.78	+0.2	140.53	153.84	148.13	145.49	−0.4	2.08	186.41	140.01	153.95	148.72	146.13	223.29	172.38	168.97
Pacific Basin (656)	127.08	+0.4	95.61	104.67	100.79	105.17	+0.1	1.22	126.60	95.09	104.56	101.00	105.03	192.75	107.82	179.40
Euro−Pacific (1622)	131.51	−0.6	98.94	108.31	104.29	106.32	−0.8	2.58	132.16	99.26	109.14	105.43	107.13	174.18	116.03	158.88
North America (653)	123.15	−2.5	92.66	101.45	97.69	121.89	−2.5	3.98	126.29	94.85	104.31	100.77	125.00	148.43	121.59	146.38
Europe Ex. UK (666)	118.31	−0.4	89.01	97.46	93.85	94.24	−1.1	3.56	118.82	89.24	98.15	94.81	95.24	145.62	109.94	118.15
Pacific Ex. Japan (202)	123.23	+0.0	92.71	101.51	97.74	105.33	+0.0	6.28	123.28	92.59	101.83	98.36	105.28	146.72	121.14	139.00
World Ex. US (1815)	131.90	−0.5	99.24	108.65	104.62	107.00	−0.7	2.63	132.50	99.52	109.43	105.71	107.80	173.77	117.12	158.80
World Ex. UK (2048)	123.90	−0.9	93.22	102.06	98.28	110.56	−1.1	2.76	125.02	93.90	103.26	99.75	111.84	162.00	115.37	154.27
World Ex. So. Af. (2288)	127.57	−1.2	95.98	105.08	101.18	111.94	−1.4	3.07	129.13	96.98	106.65	103.02	113.50	161.84	118.04	153.10
World Ex. Japan (1894)	129.30	−2.0	97.29	106.51	102.57	115.85	−2.1	4.24	131.89	99.06	108.93	105.24	118.47	151.59	124.31	139.36
The World Index (2348)	127.80	−1.2	96.15	105.26	101.36	112.12	−1.4	3.08	129.31	97.12	106.80	103.17	113.67	182.05	118.33	153.12

Latest prices were unavailable for this edition. Austrian prices were unavailable Oct 8.